



GORILLA EXPENSE PRESENTS

YOUR COMPLETE GUIDE TO

EXPENSE
MANAGEMENT

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MANUAL
VS.
AUTOMATED
PROCESSING

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EXPENSE MANAGEMENT CHALLENGES



For Business Travelers

IF, you like tracking your expenses on a personal spreadsheet, taping your receipts to paper and faxing them, waiting 30 to 60 days to get your expense check, and finding out that the check is less than you expected because an expense was disqualified.

Then READ NO MORE

For the Accounting Team

IF, faxes of receipts are always easy to read, if you like manually-entering expense data for payment, if you don't mind entering the same payment and expense information into your company's ERP system, if you just don't answer the calls from business travelers who are asking about their expense check,

Then READ NO MORE

For the Finance Team

IF, you feel that business expenses are well-controlled and monitored, if you feel that there is little to no fraudulent activity in business expense reporting, if you have analyzed and understand the spending trends of your business travelers.

Then READ NO MORE

IF, however, you are facing issues with managing and paying expenses, are concerned about nipping non-compliant expenses reimbursements, and want seamless automation for your expense management payments...

There is help. READ ON

INTRODUCTION

In this e-book, we will address the challenges experienced by all stakeholders in the manual expense reimbursement process.

We will identify the compliance implications of poorly-monitored processes and uncover potential revenue opportunities when they are corrected.

We will introduce the benefits to the bottom line of evaluating and implementing expense management software.

To wrap it up, we will provide a checklist on what to look for in an expense management software solution.

IMPACT OF MANUAL EXPENSE MANAGEMENT PROCESSES

Organizations of all sizes rely on cloud-based applications for productivity, data management, scheduling, storage, and all other work-related tasks. At the same time, many small and medium-sized enterprises are still using spreadsheets and paper for expense reporting. In fact, fewer than 40% of businesses use technology to improve their expense report management.



Companies rely on what they've always known and believe they have neither the time nor the money to revamp a system that has already worked for them for years.

We all know the "if it ain't broke" mentality. The consequences of staying with the manual system are stark. A study* by the Aberdeen Group said companies that adopted expense management software reduced the cost of processing a report by sixty-three percent. Seventy-nine percent reported administrative savings.

Let's take a look at how manual, outdated expense reporting is bad for business.

Frustration and Lost Productivity



Employees Have you ever seen an employee excited to submit their expense reports? Employees generally view expense reporting as a painful process --putting creating their expense reports off until the last minute, sometimes months, after the expenses are incurred. Often the incentive to finally submit reports is that credit card bills are clamoring to be paid, or a manager requires the data so they can balance their departmental budgets.

This delay often results in missing expenses that should have been repaid (expenses that the employee knows they incurred but for which they cannot find the data), improperly coded expenses that are too old to decipher, and time spent separating personal from business expenses on their corporate credit cards.

Every hour an employee spends on expense reporting is time taken away from interacting with customers, developing the customer pipeline, designing products – all of the primary tasks that an employee was hired to do.

Managers Meanwhile, managers can spend hours reviewing expense claims submitted by their direct reports--validating the supporting receipts and communicating back and forth with the employee to adjust the discrepancies. Studies** have shown that 1 in 5 reports have errors, and that it costs \$58 to process one expense report and \$52 to correct one expense report.

When expenses like these are not visible to their budgets, managers cannot effectively control their department's bottom line. Manual expense tracking means less time spent running the business, and more time spent doing administrative tasks.

Accounting Teams Using manual resources for auditing and managing expenses is not an optimum utilization of the time and effort of the

accounting and finance teams. Manually reviewing, validating, and processing mounds of claims is labor-intensive. Copied/faxed receipts can be difficult to read. Expenses must be authenticated against the company's expense policies. Time is wasted with the back and forth between employees and managers on defending anomalies. Expense data must be entered into multiple systems. The pressure to reimburse expenses that are late or overdue can lead to shortcuts in due diligence and auditing for errors and compliance issues.

Missing Out on Valuable Insights

Just keeping up with the paperwork of expense reporting robs managers and the accounting teams of the time to pinpoint irregularities and analyze spending patterns. This lost insight can keep management from making informed decisions on expense spend, planning budgets more efficiently, and saving the company money.

Not Keeping Up With Changes In Business Travel



Business travel is one of business's major expense categories and is second only to employee payroll. From professionals traveling to close big sales to meeting potential clients for face-to-face interaction for future engagement, business travel is a big part of the corporate spend and an essential piece of an organization's growth.

With the advent of technology, accounting for travelers' spending behaviors has changed, and business travel spend is more varied and spread across more accounting categories. For instance, with the detailed cost analysis capability of ERP systems, and best in class procedures in place, travel expenses can be analyzed by employee/type/date and reports can be configured to analyze travel history and thereby plan for future expenditures.

With new technologies, employees can use any number of payment methods for their expenses (cash, personal credit cards, p-cards,

corporate credit cards), each of which has to be properly processed, accounted for and reimbursed by the accounting system.

Compliance

Every business operates under mandated internal, state, federal, and local regulations. Many of these rules impact expense spending. Because of these rules, companies must track, record, and report on



relevant expenses. Not adhering to these reporting regulations can result in errors that cost business in either overpaying (and losing money) or underpaying and incurring penalties (and losing money).

Typically, companies have two types of compliance requirements.

Policy compliance – This is an internal compliance measure set by the company that employees must follow to uphold the organization’s standards and practices.

Regulatory compliance – This is an external compliance measure that businesses are required by law to follow. The challenge with regulatory compliance is keeping up with changes in regulations, some of which can impact expense reports (e.g., IRS regulations).

To sum it up – without adequate governance, companies can incur fines, lawsuits, and other penalties.

Fraud



Fraud has many faces, and recognizing it boils down to setting up measures to monitor and detect inconsistencies—or even better -- preventing them before they happen.

The Association of Certified Fraud Examiners

defines four types of expense fraud:

Mischaracterized Expenses – personal expenses that are submitted as a business-related expense.

Fictitious Expenses – fake or bogus receipts that appear to be genuine. Today, there are programs that make it easy to create false documents.

Overstated Expenses – where an employee over-declares or inflates the cost of the expense item.

Multiple reimbursements – when an employee submits the same receipt for an item more than once or when an employee submits the same receipt under two expense categories.

Costs and Inefficiency

Compliance and due diligence. Most organizations recognize that a significant amount of time and manual labor is required to ensure that expenses are approved according to corporate policies. Manually routing expense reports for approval by all the required levels of management - before the payment is completed - is time-consuming and not cost-effective and adds to the cost of processing a report.

Review time. With task-heavy managers and accounting teams, the chances of thorough reviews, tied to specific company policies, can be low and can result in increased opportunity for costly errors.

Impact on all sizes of business. While it may not bother a startup -- where manual expense methods can be easy because there are fewer people to manage-- for a large organization, with multiple locations across the globe, managing all the elements of business travel expenses can be complicated, and result in a substantial capital investment.

So what can a company do to increase productivity, decrease fraud, alleviate employee frustration and maximize the use of company resources.

READ ON

HOW COMPANIES CAN INCREASE THE EFFICIENCY AND EFFECTIVENESS OF THEIR EXPENSE MANAGEMENT PROCESSES

Revise Manual Processes to Mitigate Compliance, Fraud and Due Diligence Risk

Require originals. Reduce the potential for fraud and forgery by requiring original documents. Instead of copied or scanned receipts that can be easily manipulated at worst and hard to read at best -- particularly given the capability of software applications to manipulate images.



Conduct random audits. Unannounced reviews, conducted periodically, can uncover discrepancies and reveal where improvements must be made to company policies. Also, reviews reinforce the need for the integrity of documentation.

Prosecute violations. Create a clear-cut policy when it comes to violations and associated penalties. Show zero-tolerance for fraud and reinforce the need to follow company policy.

Establish a culture of honesty. Even with the assumption that employees are honest and trustworthy, nothing brings home the message more profoundly than when leadership models behavior and leads by example. From ethically conducting business to creating a safe venue for employees to voice their concerns, companies can walk the walk.

Review the company's travel reimbursement policy. Review company travel policies in detail and identify weaknesses and loopholes. Update policy requirements to address current consumer and business travel behaviors. Emphasize prohibited activity and what the organization will not tolerate.

Invest In An Automated Solution For Processing Business Expenses



Expense management software automates the entry, review and approval of business expenses, reinforces compliance, improves processing time, reduces processing cost, enhances productivity, streamlines processes, provides a better overview and comprehensive analysis and employees get reimbursed on time*.

With so many software solutions offered in this marketplace, **READ ON** to learn about the benefits that expense management software can provide and the key features of an effective expense management software system.

HOW EXPENSE MANAGEMENT SOFTWARE ADDRESSES PROBLEMS WITH MANUAL PROCESSING

Produce Less Frustration and Create More productivity

Employees—With expense management software, employees can enter expenses as they are incurred. Through automated integration



with the corporate credit card data, employees may not need to enter all expenses, thus streamlining the process. Expenses are evaluated against company policy in real-time, notifying the employee of rejected expenses. With a faster approval process and integration into other financial systems, employees receive

reimbursement more quickly. If an expense is rejected, the balance of the expenses owed can still be processed as a partial reimbursement to the employee.

Imagine an employee, nearing the end of the month, continuing to work without skipping a beat instead of spending hours completing their expense reports.

Managers The approval process becomes amazingly easy to manage with automation. Even before approval, a rejected expense can be flagged for a manager to address and correct with an employee. Designated approvers can be electronically notified that a report is ready for approval and can view the report in real-time. Approvers don't have to spend time validating expenses since the software will already have flagged inconsistencies. Through real-time reporting, managers can see trends in expense costs, forecast travel budgets, and convert time spent on back-office tasks to managing the business.

Accounting and Finance Expense management automation means no more data entry for the accounting teams. Software notifies the

*Aberdeen Group *The Travel and Expense Management Guide for 2014, Trends for the Future 2014* ** Survey by GBTA Foundation and HRS, November 2015
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accounting team when a report needs to be processed into the ERP system. With integration into the company's ERP, the possibility of duplicate payments to vendors or employees is eliminated. Software makes it easier to catch and remedy, in real time, expenses that are non-compliant or partially-compliant to company policies. Software offers real-time and historical reporting capabilities so that the finance team and management can analyze trends in expenses, occurrences of fraud, and the impact of expenses on the bottom line.

Reduce Fraud

Automation can provide the capability to define rules based on company policy and compliance requirements and provide immediate visibility to questionable expenses.

Report Consistently Across Business Units And Geographies

With software automation, corporations with multiple offices across the globe can centralize travel expenses with an automated solution. This fulfills the need for a consistent programmatic approach to entering expenses without unnecessary duplication of human processes.

THE BOTTOM LINE



Manual expense management can reduce company revenues, increase the probability of errors and fraud, increase the effort applied to non-revenue producing tasks, contribute to the inefficient use of resources and increase the risks of non-compliance.

On the other side, automating expense management has proven to reduce expense processing costs, decrease management's time and energy to deal with reports, and improve employee morale through faster reimbursements. As well, auditing capabilities are enhanced, automatic and timely reports are created and expense data flows seamlessly and accurately into the accounting system.

Want to know the trends and requirements for an excellent T&E expense management system.?

READ ON for a checklist for guidance and best practices.

EXPENSE MANAGEMENT CHECKLIST



An Expense Management System Should:

1. Auto-scan and input electronic receipts (no manual intervention)
2. Read receipts using OCR technology
3. Provide real-time policy enforcement and audit trail capability for fraud assessment
4. Have both a mobile and desktop capability
5. Provide workflow capability and notifications across multiple levels of manager approvals
6. Support multiple currencies
7. Be configurable to the company's unique requirements
8. Process Value Added Tax (VAT/GST)
9. Update report status via email to all stakeholders
10. Offer either on-premise or SaaS subscription
11. Be able to split expenses across cost categories
12. Provide built-in analytics and real-time reporting
13. Directly integrate into the ERP system

14. Be able to allocate expense data to projects, customers or job numbers
15. integrate expenses on mobile platforms (android & apple)
16. Import corporate credit card expenses
17. Support major ERP systems
18. Support payroll integration
19. Process photo receipts
20. Track car mileage via GPS integration

ADDENDUM



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WHAT DOES 'T&E' STAND FOR ANYWAY? WHAT ABOUT 'TEM'?

When it comes to corporate finance parlance and CFO-talk, T&E is an acronym that is commonly thrown around. Most people assume it is something that is commonly understood, which might not be the case.

Well, what does it stand for anyway? The term T&E can mean either 'Travel & Expense' or 'Travel & Entertainment' Expenses. These definitions are both valid and frequently interchanged.

In recent years, the term *TEM* (Travel and Expense Management) has come into favor.

COMPLIANCE WITH T&E POLICIES CHECKLIST

1. Make sure the T&E policies are part of a business travel manual or 'guide'. Make sure they are up to date. If you don't have a T&E guide, then create one.
2. In this manual, clearly note what is allowed and what is not. No ambiguity. Don't leave anything to interpretation.
3. Make sure the manual is easily available to everyone, including employees, approvers, travel agents, assistants, and executives.
4. Make the manual concise, yet comprehensive. Break it down in several distinct areas so that readers know where to look instead of having to scan a 100-page document.
5. The manual must be signed by the highest authority – CFO or CEO, or both.
6. Once generally accepted policies have been agreed upon, there must be zero-tolerance for anyone not adhering to the policies. Make sure this is clearly noted in the manual.
7. Delegate responsibility. The approvers must check the report to ensure that no policies were broken by employees. The travel agent must compare flight requests to policies before booking etc.
8. The approvers must be given the authority to question any area of the expense report.
9. The policies in the manual must apply to everybody – including executives
10. Look into a corporate card program. It is best to sign up for a program where the employee must apply. This way, the responsibility for the card belongs to the employee. Employee ownership of the card ensures lesser delays with card payments -- leading to fewer late payment fines for the company.

11. Mandate the inclusion of receipts for every transaction – electronic or paper. While this won't prevent fraud, it can act as a deterrent.
12. Make a note in the manual that says the company will not reimburse unauthorized expenses. Create a list of such expenses.
13. If the company is struggling with delays in submission, create a requirement for timely submission, and penalties for late submissions. Penalties could be as simple as delaying reimbursement or as complex as withholding a certain percentage of reimbursement .

CFOs REVEAL THE MOST UNUSUAL ITEMS SUBMITTED ON EMPLOYEE EXPENSE REPORTS

Robert Half Management Resources interviewed several CFOs and asked them to name the most unusual things they have seen employees include in expense reports.

Here are a few questionable items:

- Cosmetic surgery
- Lottery tickets
- Pet food
- A trailer rental for a family reunion
- \$12,000 for a family trip
- A teepee
- A fine for crashing into a toll booth

The list also included gadget, leisure, and hobby expenses:

- A person lost his personal cell phone somewhere in the office, so he submitted the cost of a new one
- Movie tickets
- Hotel charge for viewing adult movies
- A Day at the spa
- A golf trip for the employee and three friends
- Video game console

Personal expenditures were frequently cited by executives as questionable. Here are some examples:

- Grocery receipts
- Cigarettes
- Pair of socks

Expenses covering the cost of personal celebrations and not related to the office were equally surprising:

- Flowers the employee bought for her/his spouse
- Expenses for a son's birthday party
- Wedding anniversary dinner

One respondent said "The most unusual thing I saw was a submission for something that had already been expensed and reimbursed."

(Sourced from Robert Half Management Resources)

The \$75 rule: what is the IRS policy for requiring a receipt for a travel expense?

What is the IRS policy for a receipt? There seems to be a lot of confusion and misinformation on this topic.

The IRS does not need a receipt for expenses less than \$75 (believe it or not!). But it's tricky.

Here's the exact text:

"Documentary evidence.

You generally must have documentary evidence, such as receipts, canceled checks, or bills, to support your expenses.

Documentary evidence isn't needed if any of the following conditions apply.

- You have meals or lodging expenses while traveling away from home for which you account to your employer under an accountable plan, and you use a per diem allowance method that includes meals and/or lodging
- Your expense, other than lodging, is less than \$75.
- You have a transportation expense for which a receipt isn't readily available."

For more on this, consult the *IRS Publication 463 Cat. No. 11081L Travel, Gift, and Car Expenses*.

Please note that this is NOT legal or tax advice. Please contact your attorney for more information.