

# The Blueprint of a Best Practice Expense Process



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# The End-to-End Expense Process

Employee expenses in all businesses follow a similar path – submit, approve, audit, reimburse and report. Every business handles each stage to varying degrees of success. If every step is simplified and streamlined, then employees are paid faster, compliance increases and spend visibility improves. But many businesses struggle to get things running smoothly.

How do you know if your expenses are being managed as efficiently as possible? We examined the stages of a typical expense process and created a best practice blueprint covering the following areas:

1. Submitting Claims
2. Manager Approvals
3. Data Processing
4. Auditing and Compliance
5. Reimbursement
6. Insight and Reporting

By examining each stage in detail, you can discover what's working, what isn't and how to improve the processes in your business.

**89%**

of finance departments face some challenges with their expense process.<sup>1</sup>



# 1. Submitting Claims

The process typically starts with employees however 90% of finance leaders say their employees face a number of problems when submitting expenses. Thinking about your setup, do any of these problems sound familiar?

Problem	Cause	Solution
Employees don't receive receipts or frequently lose them.	Some companies don't readily provide receipts – and employees don't always remember to ask. Even if they do, receipts are easily lost or damaged.	Employees can use mobile apps to take photos of receipts straightaway. No need for paper and no risk of losing them.
Employees put off claiming expenses for weeks or even months.	The process is tedious. Employees put it off, stack expenses and submit lots in one go – usually when they need to pay a credit card or need the money for an upcoming event.	Empowering employees with simpler tools will encourage them to submit as they spend. Integration with corporate cards makes regular claiming much smoother.
The claims process is paper-based, manual and time-consuming.	When a company starts out, spreadsheets seem to be an inexpensive way to manage the process, but as a company grows the inefficiencies increase.	Go digital – automatically prepopulate claims based on card charges and email itineraries. Less keystrokes mean more time.
Employees spend time outside of work processing claims.	The process is too complex and time-consuming and employees say they don't have time during work hours for submitting expenses.	Review your process from start to finish and identify tools that can cut out steps and save both employees and the finance team time.
Most employees don't look at or understand the expense policy.	Perhaps employees knew the policy when they started, but who has the time or memory to keep on top of all the rules?	Build your policy into an automated solution so employees are alerted if an expense is out of policy and can provide justification for payment.

# Empower your Employees

## Manual Process



1. Make Purchase



2. Track Receipt



3. Copy Receipt



4. Create Expense Report



5. Seek Management Approval



6. Send to AP for Review & Approval



7. Receive Reimbursement

## Automated Process



1. Make Purchase



2. Snap Photo of Receipt



3. Automatically Create & Route Expense Report



4. Receive Reimbursement

## 2. Manager Approvals

When it comes to approving expense claims, a recent independent study in the UK found that 33% of finance leaders feel managers don't approve expenses quickly enough. But if you're out the office or you aren't notified when an approval is due, or if you don't fully understand the company policies, it can take a lot of time to review claims.

Approval is a crucial step in the process. The longer employees are left waiting for their expense claims to progress to finance, the longer they will be waiting to be reimbursed and the more frustrated they will be. After all, they see it as the company owing them money. But for managers, approving is not always easy. When using a paper-based system, simply working away from the office can delay approvals.

And what happens when they're on leave and there's nobody to delegate to? Or if claimants haven't supplied the right receipts? Managers then need to go back and chase employees for them, somehow applying all the company policy rules.

One of the biggest challenges comes from understanding policies. Often when unsure, managers will approve what looks reasonable rather than what is compliant, creating further problems when the claim reaches finance. All these issues can add days to the expense process meaning employees not only have to wait even longer to be reimbursed but are likely to be calling on the finance team to find out the status – a productivity drain for the employee and your team.

“Managers don't have to be in one place or where their 'in-tray' is. Wherever they are, their expenses are.”

John Buckley, Finance Director, Sauter

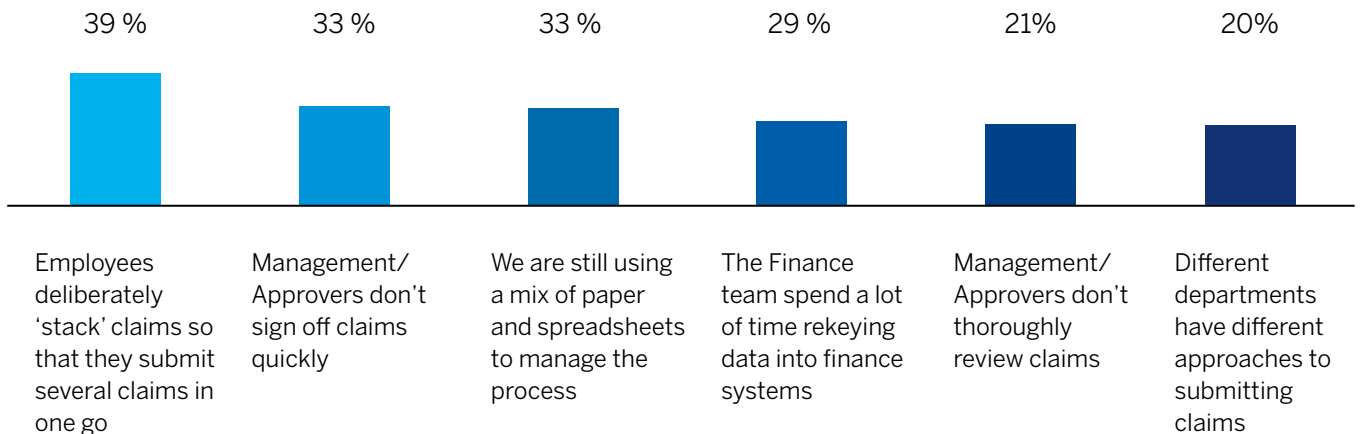
Managers query less than **1%** of all expense claims. Of the claims questioned, **94%** are approved.<sup>2</sup>



### 3. Data Processing

Once employees have submitted an expense claim, it moves to finance for processing. But if intuitive digital tools aren't being used, this is where the next set of hurdles arise.

#### What Challenges does Finance Experience with the Expense Claim Process?



Source: Vanson Bourne data conducted in 2016 among 500 senior UK finance leaders

The main challenges that arose in the survey arise from manual data processing. When employees find the process tedious they tend to submit claims in clusters. This filters sporadically through to finance making the workload unmanageable, not to mention difficult to accrue and balancing the books can be a challenge. And if finance are using basic tools like spreadsheets, lots of time can be wasted rekeying data, which leads to an increased risk of errors.

#### AUTOMATICALLY IMPORT DATA

An automated solution manages data capture for you both accurately and quickly. There's no need for rekeying as expense claims can be prepopulated based on the information feeding into the system. Company card data filters through helping employees manage their spend while making it easier to submit claims. Plus, finance gain visibility of upcoming expenses for more accurate accruals and forecasting.

“The prepopulation of expense claims has shaved time off the process, while the overall time spent managing expenses has **reduced significantly.**”

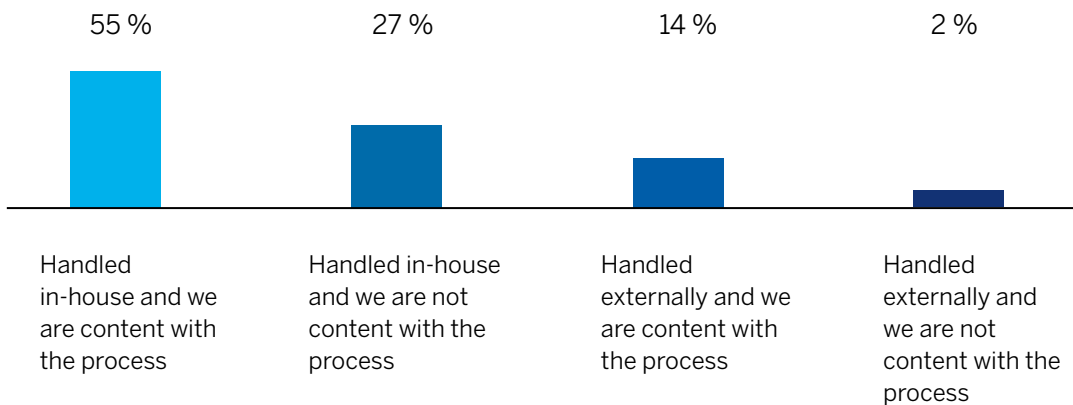
Mark Sandison, Business Solutions Manager, AEGON

## 4. Auditing and Compliance

Getting expenses submitted and approved quickly is important, but what happens if claims contain errors or duplicates? How does your business make sure expenses are compliant with internal policies and external regulations?

When we explored the auditing setup of a sample of UK businesses, most businesses were shown to have an auditing procedure – in fact, 69% have a process they're happy with. But is it effective and foolproof? Unfortunately, nearly a third (29%) have a process they're dissatisfied with.

### How do you Currently Manage the Auditing of Employee Expenses?



Source: Vanson Bourne data conducted in 2016 among 500 senior UK finance leaders

Although in-house auditing seems like the obvious choice, it's not without its problems. Few businesses have a team solely dedicated to auditing and may struggle to find the time to diligently check claims or have the necessary in-house expertise. How can you keep on top of everchanging VAT regulations and ensure complete compliance with HMRC regulations? Either way, it's an expensive solution considering the salary per head.

### COMPLIANT AND CONFIDENT

If you have an internal process, are you getting the insights you need in a timely manner? If you don't have a process, you're almost certainly missing duplicate and non-compliant claims. And if you're unhappy with what you have, or you don't have a process, then it's definitely time to allow impartial specialists to help manage your auditing for you.

“We drop a lot of time we spent checking claims, reviewing claims and entering data into the system because **SAP Concur is doing that instead.**”

Laurence Fox, Shared Service Manager, Alfa Laval

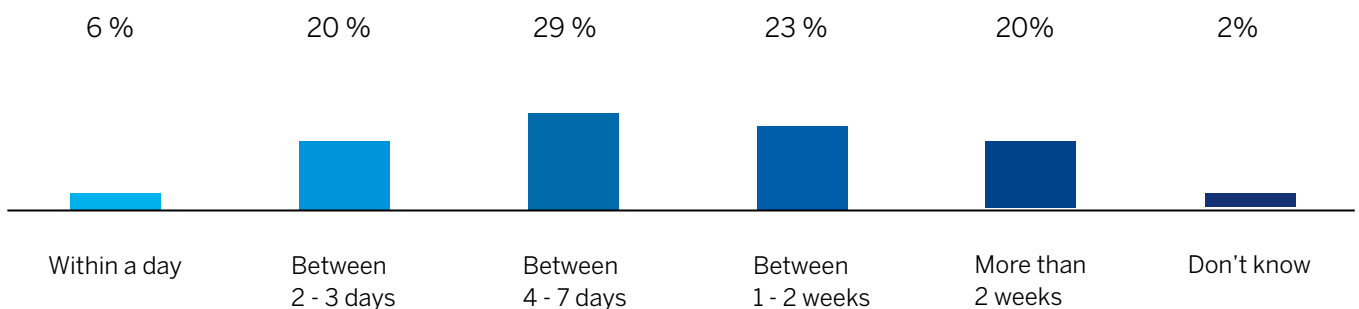


## 5. Reimbursement

Employees have submitted, approvers have approved and auditors have audited. Now you're ready to reimburse your employees – simple, right?

The biggest problem with paying expenses is the time it takes. On average, it takes nine days for money to reach an employee's account after submitting an expense claim. And the bigger the business, the longer it seems to take.

### What Challenges does Finance Experience with the Expense Claim Process?



Source: Vanson Bourne data conducted in 2016 among 500 senior UK finance leaders

There are three main ways most businesses handle the payment of expenses:

1. Employees are set up like a supplier but this skews reporting, decreases visibility into spend and adds extra time to the process.
2. Employees are reimbursed through payroll but the system is not designed for expenses – payment runs can be far apart leaving employees out of pocket.
3. Expenses are manually processed through the bank which adds extra admin to the process. If bank details are wrong, you have to start all over again.

### FASTER PAYMENT

Automated payments can reduce the amount of time it takes to pay employees to just four days. Any errors, such as incorrect bank details, are sent back to employees so finance doesn't have to get involved. As always, claims are automatically aligned to company policies. If you've come this far, don't fall at the payment hurdle.

“It takes us **three days** to pay expenses, employees know exactly where their claim is in the system.”

Nicola Irons, Accounts Payable Manager, Trumpf Ltd

## 6. Insight and Reporting

You've made it. Claims have been approved and audited, and your employees have been reimbursed. But before the expense cycle begins again, there's one last thing to look at – what's your data telling you?

In the words of Carly Fiorina, former CEO of HP: "The goal is to turn data into information and information into insight." There's a reason her words resonate with businesses of all shapes and sizes – it's the truth. You might not know it, but you could be sitting on a goldmine of expense data that could be transformed into tangible action.

Finance teams need time to focus on this often overlooked part of the process. If you're still relying on spreadsheets, there's so much you

could be missing out on. If you've automated your processes, but haven't invested in tools that can analyse the data you're capturing, it's time to reconsider. Once you've come this far, actionable insight is the last piece of the expense management puzzle.

### ACTIONABLE INSIGHTS

Analytics can help you...

- Plan your expense budget more effectively.
- Negotiate better rates with commonly used suppliers.
- Identify non-compliant individuals or departments.
- Effectively reclaim VAT and prepare for business audits.
- Make strategic decisions that support senior leadership.



"We are able to undertake **instant auditing** to produce **more effective** management reporting."

Simon Swain, Transaction Services Manager, Pentland Brands

# The 360° Expense Process

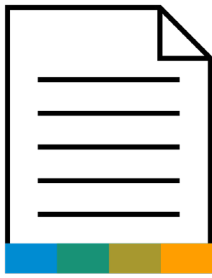
Now you've walked through the process – how does your business compare?

Once each stage of expense management is objectively reviewed and addressed, the whole process runs far more smoothly from start to finish. Ultimately, employees spend less time submitting, managers spend less time approving and finance spends less time processing. With data stored electronically in one place, accuracy and compliance is improved, payments are expedited and reporting is simplified.



Even if there's only one area that needs improving in your current process, it's the minor changes that can make a huge impact. Or if there's a lot to do – don't panic – we can support you every step of the way. If you want some specialist advice, just get in touch. We're happy to help.

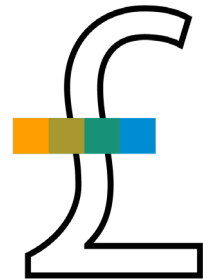
## Take the Next Step



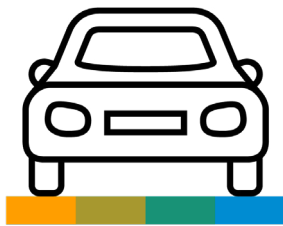
**How to Create** an Expense Policy Template



**The Essential Guide to** Managing Expenses



**The Finance Leader** Report



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