The science of T&E management

Bruce Richardson talks candidly about the true cost of expense reporting and outlines how you can instigate change in your organization.

How much did your company spend to process the last expense report submitted? If that seems like a relatively mundane question, there is a high probability that you are spending too much. You may also have employees taking advantage of lax oversight. Earlier this year, Aberdeen Group published the results of a survey of more than 175 companies. Analysts segmented the respondents into three camps:

'Best-in-class' companies represented 20 percent of respondents. As a group, they have 90 percent compliance to travel and expense policies, and spend $6.25 to process each report.

The 'industry average' tag was given to the middle 50 percent. This group has 77 percent compliance and spends $28.91 to process each report. That is more than four times higher than the best, and leaves significant room for improvement.

The bottom 30 percent were deemed 'laggards'. This group has only 47 percent compliance and spends $51.35 to process each report. Their costs were nearly eight times higher than the leaders.

The contrast from best to worst becomes startling when you consider that the average company processes more than 3750 expense reports a month, or 45,000 per year. At that volume, the best companies will spend $281,250 on the reimbursement process, while the laggards will shell out more than $2.31 million. The delta is pure waste.

At Infor, we process 54,000 reports each year. As we will reveal, some of our customers do significantly more. We recently hosted two events featuring customers using Infor's XM software for expense management. The first event featured an executive from a *Fortune 500* life sciences company. His company has 11,000 road warriors in the US alone. Collectively, his mobile employees will submit 140,000 expense reports this year.

The second event featured an executive from a well-known financial services firm and Aberdeen's Christopher Dwyer. The financial services firm handles 4333 expense reports per month at an average cost of $5.79 per report. This is at the top end of 'best-in-class'. Our customer explained that this includes all the costs incurred once the report arrives in accounts payable as well as software maintenance and amortization, hosting, imaging, auditing and credit card processing fees.

Road warriors beware: More of your expenses will be audited

While no one likes to think their employees are capable of fraud, Aberdeen's Dwyer said that 72 percent of companies surveyed are now auditing expense reports. Sadly, 67 percent are using manual processes. A much smaller percentage has automated the audit process.

More companies are also focusing on compliance, with two-thirds tracking adherence to travel policies. In addition, 64 percent said they were monitoring spend patterns and trends.

Our life sciences customer tracks policy violations at point of entry. These violations could include the failure to purchase/book tickets for air travel two weeks in advance, paying more for a hotel than the negotiated rate, and/or refusal to fly on a less expensive flight. His team also monitors credits due to the company as well as excessive or high cash submissions.

Our financial services customer said she uses audits to save money. In the first week, her group pulled back $10,000 that would have been reimbursed. She has implemented pre-payment audits based on certain triggers, and uses random, post-payment audits (currently 13 percent daily). She also uses forensic auditing to uncover items such as multiple breakfasts for the same day and to examine spending patterns over a 60-day period.

The travel and expense management function has often been an overlooked part of the broader procure-to-pay set of processes. Today, Finance can choose from several software packages that can automate the entire process from submission to reimbursement. As you investigate your options, make sure to focus on the audit capabilities. There is no reason to continue wasting money. ■

Bruce Richardson brings over 30 years of experience in the software industry, most recently as Chief Research Officer for AMR Research, where he oversaw all aspects of analysis from ERP and supply chain management, to cloud computing, service-oriented architectures, and visualization. Richardson will use this expertise to help Infor align its business with the needs of its customers.