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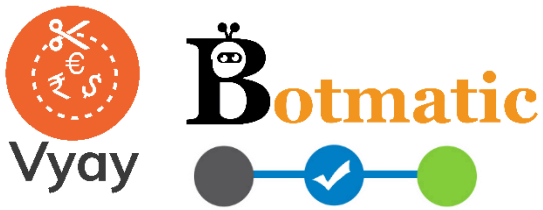
Expense Management System
moving from manual paper or excel sheets to automated expense management system

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A quick guide to automate expense management process

3 EASY STEPS

Introduction

Business Travel is used for closing sales deals, visiting clients or various other needs. However, for employees, the process of submitting expenses manually takes a huge amount of time! By some reports, less than 27% of small or mid-sized business have automated expense management processes. IDC in an Oct 2019 study found that

> *"49% of respondents identified the need to eliminate manual and paper-based processing as their top T&E management pressure."*

It means the many of MSME/SMB small and medium size organization are still assembling, routing, and processing their expense reports, manually.

In the above case: Employee submission process of expense reporting and reimbursement is poorly defined: collecting physical bills/receipts, then entering data into excel sheet, or attaching them to a paper report and scanning or mailing them in. After submission, a certain amount of waiting time takes place to get it approved and ensure they are paid on time

On the approval side, the process isn't any easier. According to a research, "T&E spending is one of the difficult operating categories to control and manage." It is difficult to see where the expense categories or budgets stand until the end of the month or even the quarter. In the same study mentioned above, the Aberdeen Group found that a lack of visibility into spending is the top T&E area for improvement for 51% of all companies.

In addition, unless each expense item is review, it is difficult to ensure every expense complies with policy. Many research found that misuse, noncompliance and fraud are major problems in T&E process today…

15%
Of expenses are non-compliance either by error or by intent

Today's technology can support businesses to simplify, Standardize and automate the expense reporting process (i.e. expense request, expense submission, approval, budget management, audit and compliance). By using the phone or computer one can easily submit, collect and manage expenses, organizations can easily increase productivity, improve compliance, and manage spend more proactively.

This simple guide will help you and your organization to understand your current expense processes, spend behavior, tax credits see how automating the process can save your organization energy, time and money, and help you present a business case to move forward with expense management software

Step One:
Inventory Today's Expense Process

The first step is to assess and ascertain how expenses are currently submitted and approved in your company. This helps you to get a better understanding of costs, areas that impact productivity, and potential risks of fraud or overspending budgets. Find out the risks identified as below.

Once you have determined the manual steps you're using and how they impact productivity, tangible costs, compliance risk, and even management's ability to assess trends, the next step is to review the areas below and identify which ones negatively impact your profitability.

How much is lost productivity costing your team?
- Time taken to submit an expense report
- Approvers review the reports manually
- Inherent waiting time
- Finance team review and ask questions about reports
- Manager Approvals received
- Expense reconciliation between request made and submissions
- Manual Reimbursement process and accounting entries

Other expenses for processing reports?

- Office supplies needed for expense reports, such as computer consumables, paper, envelopes, stationary etc.
- Postage or courier costs
- Storage space for archived expense reports
- Others

Are expense reports thoroughly inspected to identify policy breaches?

- Employees will make honest mistakes with data entry issues causing undetected errors or faulty data
- Duplicate expenses might be filed by accident
- Employee fraud occurs more often than expected
- Travelers may be unaware of travel or expense policies
- Other:

Does management have a good handle on the expense management process or are they often surprised?

- Monthly or quarterly travel or other expense budgets are exceeded, without departmental or executive manager awareness
- Management doesn't have insight into how many trips are taken by a particular department or for a specific client
- Employees complain that they are not reimbursed in a timely manner
- There is a backlog in administrative tasks for expense processing
- Other:

Following your review of your company's current expense processes and challenges, create a list of requirements that a digitized expense management solution for your company should contain. These might include:

- Mobile capabilities for receipt capture, submission, approval, and accounting administration
- Automation of expense report creation
- Ability to embed a flexible digital expense policy within the system that flags non-compliant submissions and notifies submitters and approvers
- Integration with back office software systems
- Intuitive user interfaces for both submitters using the system and administrative team members so no or minimal training is required
- Real-time management reports on spending trends and budget impacts Multiple currency and language functionalities

Step Two:
Build Business case

By now, you and your team better understand how your company processes expense reports and has identified areas where there are opportunities for improvement. With this information, you can create a compelling business case for your company to move to a mobile solution. To help you build a business case, this step will help you identify common ways that companies save money and improve valuable productivity of your company's travelers, managers, and accountants.

Improvements to the bottom line can be realized with a mobile solution that:

Increases Employee Productivity – Submitters will spend less time gathering receipts and creating expense reports once their receipts are digitized and can be combined as a virtual report in just a few moments. Managers and accountants will spend less time approving and processing these reports, as they will be notified of items that need further attention, while others will be approved automatically. Management will also have instant access to real-time reports without requiring someone to assemble them manually. Finally, the filing, updating of transactions into financial systems, and the reimbursement process will all be automated.

Reduces Office Supply Costs – Manual processes require a great deal of collecting and organizing receipts, copying, scanning, and mailing. These result in increased paper costs, ink for printer/copiers, postage, and even overnight shipping. In some parts of the country there are huge costs attributed
to filing these reports, as they may need to be retained for up to 7 years.

Improves Policy Compliance - According to the Aberdeen Group, manual expense processes have a 36% rate of compliance vs. over 90% compliance for automated systems. Lower compliance can be caused by employees not understanding the policy, expense duplication,
data entry errors, or even fraud (some studies show that fraud accounts for as much as 5% of expenses). With a digitized expense policy, every expense is checked against policy and evaluated for duplication.

These savings can be translated into your business case in three ways. First, your evaluation can identify all annual costs for expense management, including the time spent by employees. Another option is to assess the average costs for all the steps to submit, approve, process, and file a report and then multiply this number by the number of reports processed. As a final alternative, you can look at some of the extensive industry studies out there, which have assessed the costs and time required by employees for managing expenses.

Identify All Costs

Determine Average Cost/ Report

Use Research & make decision

You can refer below sample business case for a small organization, it includes most of the items discussed above. It identifies total costs, annual costs, and per-expense-report costs. The Last line shows potential savings of over $20 per expense report. Our analysis are in line with many research report that identified average cost per expense report between $25 to $41. So, adopting automated expense management system helps in all business sense

In today's market, many mobile expense automation solutions range from $8 to $15 per user per month. If each user submits only one expense report per month, your returns will be high.

Sample Business Case

Cost & benefit Analysis : Manual process vs Automated system

Expense process cost details	Current	Future
Average No of expense report per month by employees	60	**60**
Number of annual expense reports submitted	2,000	**2,000**
Average per expense report amount	$300	**$300**
Annual company expenses	$600,000	**$600,000**
Efficiency Impact (in minutes)	**Current**	**Future**
Average time to submit an expense report	25	**5**
Average time to review by approver	7	**1**
Average time to process by accountant/ T&E Auditor	20	**3**
Percent of expense reports with an error	22%	**1%**
Average hourly cost per employee	$20	**$20**
Costs of the Process	**Current**	**Future**
Printing, copying, postage, storage per expense report	$2.00	**$0**
Compliance to Expense Policy	**Current**	**Future**
Errors/ duplication of total expenses	10%	**1%**
Fraud as percentage of total expenses	3%	**1%**
Summary	**Current**	**Future**
Annual labor & operational costs to submit, process, file an expense report	$50,000	**$7,050**
Annual cost	$50,000	**$10,000**
Average overall cost per expense report*	$25	**$5**

Step Three:
Implement the New System

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Once you've secured management support and chosen a solution, it's time to implement the new solution. As with most mobile apps, this should be a very simple undertaking. Most vendors offer setup flows that include mostly drop-down menus that help you model your travel policy and create a digital one. The user experience should be highly intuitive and require no training, other than possibly having users watch a short video on their phone.

The first step will be for an administrator to set up the back office for the new solution. This will include digitizing the travel policy and setting up the structure for expense submitters to use. Departments, expense categories, and other policies will be put into   the system. Most software will guide you through these steps. Once these are set up, the administrator will provide usernames, email addresses, and mobile phone numbers. The system will then send them an email and invite users to download the application from the appropriate App Store. A brief setup will be required for each user to customize their app.

Finally, any integrations with financial and accounting systems will be completed to ensure that expenses flow to the right accounts on time.

Soon after you have successfully implemented a solution to automate your company's expense management process, you'll be able to evaluate the results.

It's always important to keep in mind improvements you can make to your new system. Once everyone in the company has settled in with the new platform, try and evaluate whether the goals you initially set have been reached.

Go back to Step One and see if the solution you've implemented has addressed the challenges you identified. Do a quick analysis to see if the savings you are realizing are what you expected as far as office supply cost savings, increased employee productivity, enhanced management insight, and improved policy compliance. If not, refine your travel policy to address any leakage or work with your vendor to customize the mobile solution to your business, as needed.

It's always valuable to seek user feedback on the ease of setup, expense report creation and processing. You can send out surveys to employees and managers alike, to understand their perspective and gauge satisfaction with the solution.

Summary

Though change can be daunting, moving from a manual expense management process to an automated mobile solution can be the most cost-effective decision that increases employee and management satisfaction and productivity. With the right planning and the right solution, the return on your investment in this change will be rapid.

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