

# Attention CFOs: How Your Current T&E Process May Be At Risk

*(And Here's What You Can Do About It!)*



neXnia

We help finance teams  
become superheroes.



## Overview

Managing and monitoring employee travel and entertainment (T&E) costs and company expenses is a major area of focus for companies both large and small. In order to operate efficiently and meet all required accountabilities, it's necessary to establish the right tools and processes to ensure the highest accuracy rates with internal and external compliance.

Travel & Entertainment (T&E) spend typically represents a significant portion of a company's business expenditures, with a 2015 Aberdeen study reporting that business travel spend generally accounts for roughly 10% of a company's annual budget<sup>1</sup>. While this percentage of spending certainly fluctuates from business to business, one thing appears to be consistent across the board: T&E spend is increasing. According to a 2015 study published by the Global Business Travel Association (GBTA), U.S. business travel spending for 2016 anticipates a surge in economic activity and confidence, with travel spending projected to increase by 5.4 percent to \$318.9 billion<sup>2</sup>.

**\$318.9  
BILLION  
USD**

ESTIMATED U.S. BUSINESS  
TRAVEL SPENDING IN 2016



In a highly regulated industry, our customers can't do business with just anyone. They come onsite and audit our company, looking at all our processes, procedures and documentation to make sure we comply with all government regulations. With Nexonia Expenses integrated with [our] ERP, when customers audit our business processes and compliance, we have a system in place that's very good, automated and transparent."

JEFFREY K., CONTROLLER

Today's CFOs face a multitude of challenges when it comes to risk management, namely with regulatory compliance, internal policy compliance, fraud and inadequate reporting. Ineffective T&E management wastes valuable company resources and negatively impacts all employees who travel on company business. Improving T&E expense management can have a meaningful positive impact on the bottom line of companies of all sizes. With the right systems in place, considerable gains can be made in terms of efficiency and savings, as well as improved compliance with employees and government policy.

# Current Challenges to Financial Reporting & T&E Compliance

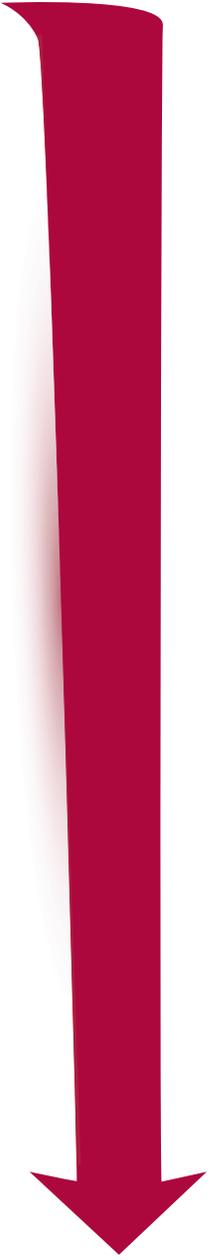
## Pain Point: External Compliance & Auditing

It's common knowledge that travel and entertainment expenses have long attracted fraud, bribery and other exploitation—but T&E spending has rarely been in the spotlight for regulatory enforcement action. That is, until recently, when the Securities and Exchange Commission (SEC) brought two administrative actions under the Foreign Corrupt Practices Act for bribery payments hidden as travel, gifts and entertainment expenses. In a case brought by SEC, a defendant expensed gifts for a government official that included a country club membership fee, household maintenance expenses, payment of cell phone bills, an automobile worth \$20,000 and limousine services. The result of the trial was \$10.5 million in fines for the defendants, as ordered by the Department of Justice<sup>3</sup>. While this case is extreme, signing your name off on poorly documented or fraudulent expenses can have immense repercussions for your company and your career.

“Our customer improved their project billing process and cash flow with the real-time visibility and integration into [their ERP]. Additionally, the administrative effort was reduced by over 50% with the efficiency and controls of the expense mobile app module.”

CINDY B., FINANCIAL CONSULTANT

Another potential thorn in the side of financial executives is the significant changes made to federal securities laws in the U.S. brought about by the The Sarbanes-Oxley Act (SOX) in 2002. Designed to take a lens to outdated legislative audit requirements, the law protects investors by enhancing the security and accuracy of corporate disclosures. While the Act doesn't specifically target T&E and the policies associated with it, many experts believe that a lax corporate expense policy could signal poor internal controls, resulting in being flagged on your SOX audit.



**\$1 BILLION**  
USD

AVERAGE ESTIMATED  
AMOUNT OF MONEY  
LOST TO FRAUDULENT  
EXPENSE REIMBURSEMENT  
EACH YEAR GLOBALLY

## Pain Point: Internal Fraud & Lack of Financial Visibility

As you know, expense fraud is not only a liability when it comes to ensuring all of the i's are dotted and the t's are crossed for auditors. Reduced visibility into employee spending can also produce a

significant source of revenue leakage across your organization. This lack of clarity into fraudulent, inaccurate or sloppy reporting is corrosive to your company's financial health, and has the potential to sabotage any efforts you and your team make to improve processes and ultimately your bottom line. In their article, *The Impact of Expense Reimbursement Fraud*, global financial advisory firm



**BEST-IN-CLASS CFOs ARE  
60% MORE LIKELY  
TO BE USING  
EXPENSE REPORT AUTOMATION SOFTWARE**

Stout Risius Ross estimates that over \$1 billion is lost to fraudulent expense reimbursement each year<sup>4</sup>. Additionally, consider these statistics from the Association of Certified Fraud Examiners' (ACFE) 2014 Global Fraud Study:

- Median loss due to expense reimbursement fraud is \$30,000;
- Median number months to detect expense reimbursement fraud is 24;
- The percentage of fraud cases involving expense reimbursements is 16.5 for companies with; less than 100 employees and 13.1 for companies with 100 or more employees<sup>5</sup>.

These insights show that expense report fraud is a major concern in the universe of occupational fraud—and businesses of all sizes need to pay attention to what's going on within the details of their employees' expense reports.

## Achieving T&E Compliance & Removing Fraud

The purpose of establishing a policy should be to help you communicate standards and effective procedures for managing travel, entertainment and related costs associated with your business functions. So whether you're creating a new expense report policy or refreshing your existing one, make sure you consider these components to ensure you're covering all the bases:

1. Define expense parameters that are aligned with the company's corporate culture and budgetary goals, but flexible enough to account for expenses in response to business dynamics.
2. Automate policy enforcement with clearly defined spending limits and automatic notification of policy violations to ensure compliance.
3. Articulate a clear and transparent approval process, including the timing of when approval decisions need to be made and the turnaround times for expense reimbursement.
4. Integrate expense processing to facilitate compliance and create efficiencies by streamlining processes.

5. Specify how travel is to be booked, whether through specific travel agents and/or online booking tools. Sub-policies relative to key areas of travel booking and spend include air, hotel and ground transportation policies.
6. Outline conditions under which any exceptions can occur and create a clear audit trail for any exceptions granted.
7. Benchmark key areas of spend and require a review of policy if benchmarks are exceeded by a target.

While it's all well and good to establish these policy standards, ensuring they're accurately applied and enforced can be an impossible headache if managed manually. An automated expense reporting system has built-in controls designed within your company's specific parameters, and can effectively increase the rate of employee T&E compliance by 26%<sup>6</sup>. With an expense system designed to flag non-compliant reports, your administrators can take a look for inconsistencies and investigate discrepancies, making necessary changes to the policy or their employee communication plan. A configurable expense automation tool gives you the flexibility and bandwidth to devise more effective pre-approval and/or multi-step approval processes; ultimately establishing your policy as fail-safe and eliminating fraud.

### Average cost of submitting an expense report:

**\$20.65**

**\$8.33**

(that's \$12.32 in savings!)

### Average number of days it takes for an expense report to be reimbursed:

**9.3 days**

**3.5 days**

### Rate of employee compliance for corporate T&E policies:

**59%**

**85%**

## Unlocking True Financial Visibility

Efficient and successful organizations have clear and aligned business processes and reporting visibility, and understand what tools will help them get there. Of the companies polled in a 2013 Aberdeen study, organizations who were not best-in-class experienced an average cost of \$20.65 to process a single expense report, while for an organization that has visibility, its cost was \$8.33, or a savings of 39%<sup>7</sup>. If, for example, a mid-sized company processes just 500 expense reports a month, this will result in an approximate yearly savings of nearly \$50,000. How exactly are these best-in-class businesses

achieving advanced visibility and advanced cost savings? Research shows that companies who are performing at a higher level are also 60% more likely to be utilizing expense report automation software, which alleviates the need for manual processing and provides automatic data capture<sup>8</sup>. By leveraging a cloud-based expense solution, CFOs of best-in-class companies are seeing the results that they'd aimed to achieve all along, but the limitations of manual processes ultimately created an unnecessary barrier.



With Nexonia, our employees can code their own expenses adding the proper descriptions with the amounts in the receipts already included. That saves a lot of processing time for our accounting department.”

JORGE F., CFO

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## Solution: Expense Automation Software

GL reconciliation and management of employee spending doesn't have to be a difficult and time-consuming process. As forward-thinking and strategic leaders, CFOs are well-adept at identifying opportunities and initiating solutions that drive their organization's financial success. A strong CFO is not a naysayer, but an enabler of innovation; recognizing that it is only by being open-minded to new ways of improving operational productivity that there will be an increase of profits and cashflow. A true financial leader understands that better results aren't necessarily from making cuts, but by paving the way for new, more efficient processes to take place.

Having a framework to understand how expense management software will help solve your current financial issues will provide a foundation for ultimately choosing the best automation tool for you and your team. A few things to consider:

**Security in the Cloud.** While every financial team's needs are different, your ideal solution should be fine-tuned to automate your expense accounting processes as much as possible, allowing you to spend less time manually inputting data. Opting for a cloud-based web application allows data to be securely accessible from anywhere, without relying on internal servers or downloading needless software.

**Consider Going Mobile.** Utilizing an intuitive program with user-friendly mobile apps will fast-track your team's approval process for employee expense reports. Giving employees the ability to submit expenses on their smartphones or tablets while travelling for work will not only give them the freedom to handle their expense reports while on the go, but it will also eliminate the time that you and your administrators have to spend manually collecting and entering the information into your accounting system.

**Integrate to Automate.** Today's executives are constantly looking for ways to improve operational efficiency, but disconnected accounting systems can disrupt the flow of important data. Finding

an expense management solution that can seamlessly integrate with your current accounting/ERP system(s) will create an operational nexus for project management, accounting and expense reporting.

**Enhanced Reporting.** Whatever expense solution you choose, it's necessary that it comes with built-in controls to enforce internal policy compliance. A good expense management system should accommodate your corporate specifications, mapping out and matching all important dimensions in your ERP and giving you the ability to analyze your business expenses with customized reports. A robust expense solution can also provide secure storage for digital receipts and detailed audit logs, ensuring that expense data doesn't slip through the cracks again.

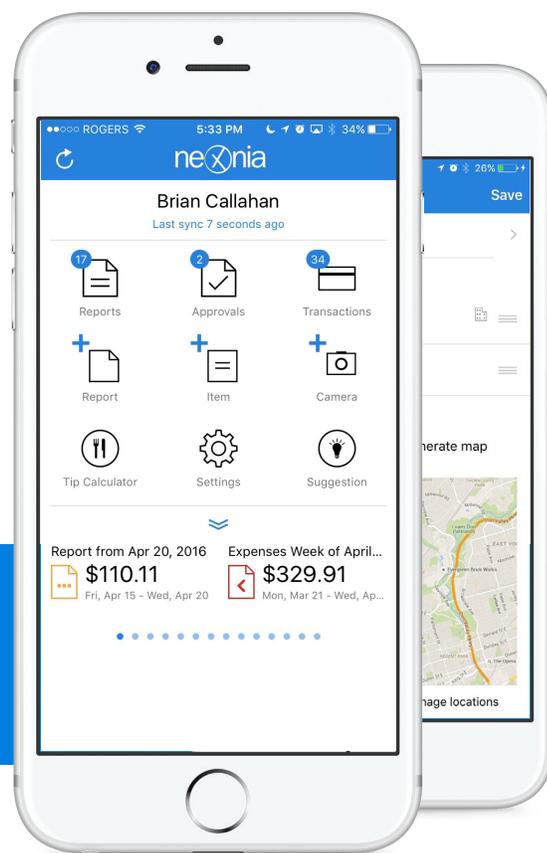
Making the investment in T&E expense automation will result in significant cost savings, minimizing fraud risk exposures and increasing employee compliance with corporate policy. The time for CFOs to give T&E expense management the attention it deserves is now.

## About Nexonia

Nexonia Inc. is a provider of leading web and mobile expense, time and other business financial management solutions, including: Nexonia Expenses, Nexonia Timesheets, Nexonia Time Off, Nexonia Time Allocation, Nexonia Purchase Orders and Nexonia Accounts Payable. Nexonia's simple-to-use and highly configurable applications are fully integrated with ERPs, credit cards and other systems supporting a variety of businesses. Nexonia solutions are designed to streamline the reporting and approval process, improve human resource management and enhance operational efficiency.

Learn more about the benefits of expense automation today.  
Book a free demo with Nexonia: [www.nexonia.com/demo](http://www.nexonia.com/demo)

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## Sources

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- <sup>3</sup> A Resource Guide to the FCPA U.S. Foreign Corrupt Practices Act. Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission (2012)
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