



A 101 GUIDE TO EFFECTIVE EXPENSE MANAGEMENT

Automation. Accelerated.



A 101 GUIDE TO EFFECTIVE EXPENSE MANAGEMENT

There are going to be times when your company's employees need to use their own money for business purchases. An employee who has traveled to a conference might purchase dinner for themselves and a client, or a sales agent working to land a big account might purchase tickets to a sporting event for a potential customer. Employee expenses can also include more mundane items, such as the cost of gasoline on a business trip or a new cable to connect a monitor to a computer.

If your company reimburses expenses, it needs to develop a way to effectively report and record eligible expenses and to ensure that employees are reimbursed promptly. If your company has automated the accounts payable process, you might find that automating the expense management process is the next step. Automating expense management streamlines things, reducing the risk of fraudulent expenses and ensuring that employees get reimbursed quickly for legitimate ones.

INTRODUCTION TO EXPENSE MANAGEMENT

Expense management is the system a company uses to receive, approve, and pay employee expenses. It also involves the process of auditing expenses to make sure they are legitimate.

Your business is not required to reimburse employees for certain expenses, such as travel costs or client dinners. But many businesses do so as a way to keep the top talent on their payroll and to make their company a more attractive place to work.



Defining the expenses your company will or won't cover is part of expense management. Some expenses that employers commonly reimburse include:



Mileage if an employee drives their own vehicle to a business-related event.



Entrance fees for training programs.



Office supplies purchased by the employee.



Admission fees for shows or games.



Meals out for business purposes.

If an employee incurs an eligible expense, they usually need to fill out a form, or expense report, and submit it to accounts payable, along with the receipt that documents the expense. In some cases, an employee will need to submit a report for each individual expense. A manager will often have to approve the expense before it makes its way to accounts payable and an employee receives payment.

THE DIFFERENCE BETWEEN TRADITIONAL & AUTOMATED EXPENSE MANAGEMENT

Your company has two major choices when it comes to expense management. You can use a traditional expense management system or an automated expense report software system. A traditional system typically works like this:

- **The employee spends money** on a business-related purchase, such as a restaurant meal with a client.
- **The employee collects the receipt** from the purchase. They log the details of the purchase in a spreadsheet or another type of expense reporting form. They include the details of the purchase, the date, and the purpose of it.
- **The employee submits the paper receipt** and expense report to the appropriate department or to their manager for approval.
- **The manager reads over the report to verify its legitimacy** and to confirm that the amount expensed matches the amount on the receipt.
- **The manager approves or denies the expense.** If approved, the employee receives payment. If denied, the employee can correct any errors and start the process over again.

Automated expense management has some things in common with traditional expense management. An employee needs to report the expense, for one thing. But the process of reporting using an automated system is streamlined. An employee might be able to scan a receipt or take a photo of it, and the system will complete the report based on the information on the receipt.

AVOIDING TRADITIONAL EXPENSE MANAGEMENT CHALLENGES

Using an automated expense management system can help your company avoid some of the challenges commonly associated with traditional expense management. One of those challenges is relying on expense report software that might be well past its prime. Compared to programs that require manual input and review, automated software allows for quick and accurate data entry.

Other ways that automation helps you avoid the challenges associated with traditional expense management include:

An automated system defines expense policies:

When you use an automated system, you need to clearly define what is an acceptable expense and what is not. Doing so eliminates the risk of illegitimate expenses getting approved and paid-out.

An automated system provides visibility into expense data:

With an automated system, you can see, at a glance, what your employees are spending money on and how much they are spending. You can use the data to define policies, such as a per diem rate, or to set limits for particular expenses.

An automated system allows for timely reimbursements:

Reports move quickly through an automated expense management system, allowing your employees to get reimbursed promptly. If there are issues with the information they provided, it will bounce back to them right away for correction.

An automated system reduces data entry errors:

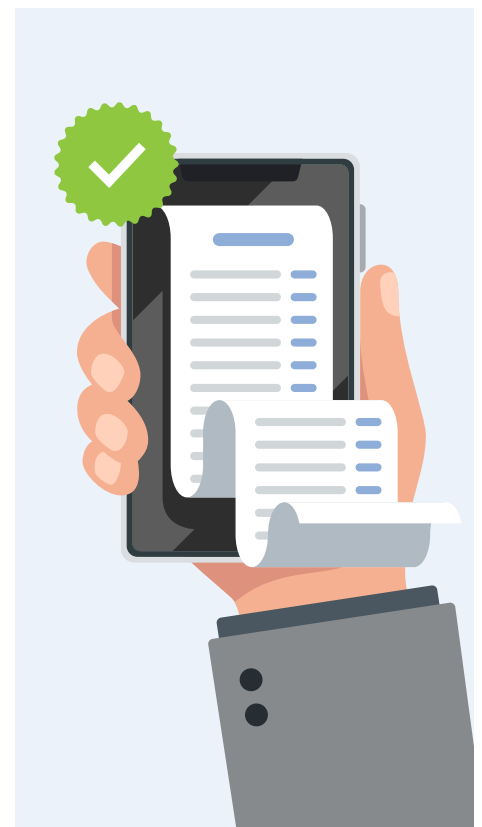
Data entry errors can cost your business money in a couple of ways. If the wrong price gets entered into the system, your company can spend more than it needs to.

Data entry mistakes can also mean that the wrong person gets reimbursed or that there is a delay in the payment process. Automation helps to eliminate mistakes, saving you time and money.

An automated system quickly notes red flags:

An automated expense management system can be programmed to detect issues such as unapproved travel upgrades or expenses that occurred outside of the reported travel dates.

By noting these red flags, the system can prevent your company from reimbursing expenses that it shouldn't have to pay for.



OPTIMIZING EXPENSE MANAGEMENT SYSTEMS

If your company's expense management process leaves a lot to be desired, there are things you can do to improve it. The first step to take is to develop a policy for employee reimbursements. Some of the questions to keep in mind when developing your policy include:

- What expenses are eligible?
- What are the limits for each expense?
- What expenses do not need manager approval for reimbursement?
- Would your employees be better served by a per diem instead of a reimbursement policy?

It might be the case that switching from an older, more traditional method of expense management to a newer, automated system is what your company needs to streamline the process and save money.

WHAT IS THE BEST EXPENSE TRACKING SOFTWARE?

Ideally, the expense tracking software that is best for your company is a program that logs all of your team's expenses quickly and accurately. Expense reports should move through the system rapidly so people are paid promptly and any issues are caught and corrected right away. An effective expense management program will also alert you to ongoing or repeated problems, such as an employee who tries to get reimbursement for unapproved expenses or a team member who regularly submits duplicate expense reports.

If you have notable concerns with your current system, keep those at the front of your mind when choosing a new program. Ask how the new system will solve your specific issues. It's also important to find a system designed for the number of employees you have.



LEARN MORE ABOUT MHC SOLUTIONS

MHC AP Solutions automate the accounts payable process for outside vendors and can help you reimburse your employees quickly. Reimbursable expenses are captured with the employee's mobile device. The system extraction key data points and builds the expense report automatically, categorizing expenses by classification & day.

From there, data is extracted from the report, and the report is sorted based on the information it contains. It then gets sent to the appropriate party for approval or denial. If approved, accounting steps in to handle the payment.

To learn more about how to manage accounts payable effectively with AP automation software, contact us today to [schedule a demo](#).



