

Automating for the Future:

5 Ways Using Excel Spreadsheets
for Expense Reports is
Eroding Profits and Productivity

An IOFM white paper

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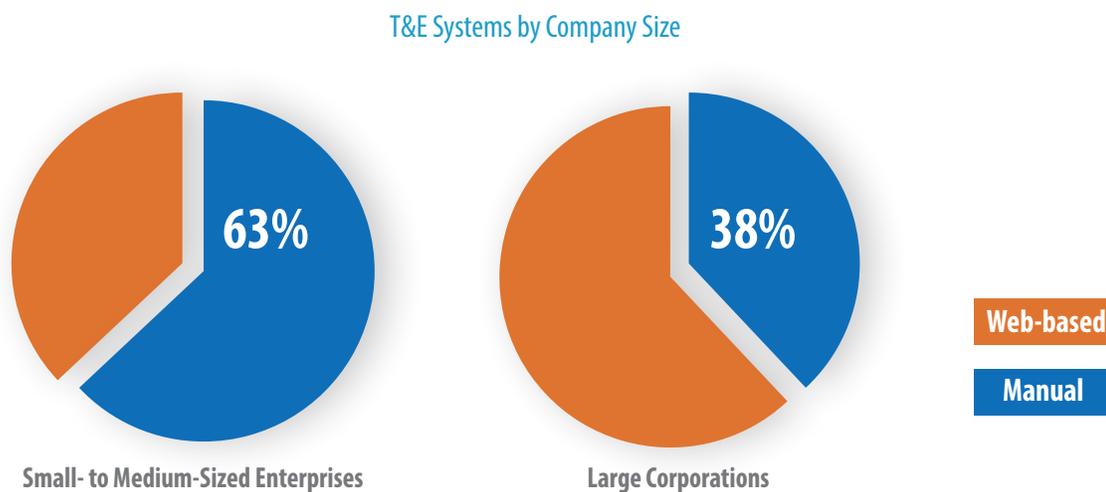
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Automating for the Future: 5 Ways Using Excel Spreadsheets for Expense Reports is Eroding Profits and Productivity

Companies have a lot riding on their travel and entertainment (T&E) expense processes.

T&E expenses account for more than 10 percent of the average company's overall budget, according to Aberdeen Group. T&E expenses are the second-largest cost for companies behind payroll, according to JPMorgan Chase. In fact, global business travel spending will reach \$1.25 trillion in 2015, GBTA estimates.

With T&E expenses representing such a large part of the corporate budget, it is no surprise that companies are thinking more strategically about their expense management processes. Forty-one percent of companies see expense management as a critical function, while 39 percent of companies report the function is rising in prominence, according to Aberdeen Group. Expense management has joined the ranks of strategic sourcing, operations, sales and finance in driving corporate performance.



Source: PayStream Advisors 2015

Despite the increasing operational and financial importance of expense management and reporting, 63 percent of small- and medium-sized businesses and 38 percent of large corporations have a completely manual T&E process, PayStream Advisors reports. As important as spreadsheets are to a range of accounting and corporate functions, they are not up to the task of managing corporate expenses. They do not provide the functionality, accuracy, reporting and control required to manage expenses, particularly for companies with multiple departments and business units. Excel spreadsheets result in:

- Labor-intensive processes
- Incorrect formulas
- Uncontrolled changes in the structure of a document
- Poor visibility
- Undiscovered policy violations

This white paper details the five ways that using Excel spreadsheets for expenses negatively impacts business performance, how web-based expense solutions uniquely address these challenges, and the benefits one company has achieved by migrating to completely automated expense processes.

Spreadsheet-Based Expenses

The process for managing expenses with spreadsheets typically goes something like this:

For the traveling employee:

1. Gather paper receipts, print online bookings, and record non-receipt items such as cash tips and taxi receipts on slips of paper
2. Open expense spreadsheet template and enter each expense as a line item, making sure to enter the right category, the right code, the right vendor, the right dates, and the right amount
3. Print completed expense spreadsheet and tape or staple paper receipts to the report
4. Sign the report and physically present it to a manager
5. Wait for a manager to approve report, wait for others in the approval chain to approve the report, wait for accounting to receive and reconcile the report, and wait for reimbursement

For the manager:

1. Receive an employee's expense report, check quickly to see that the expenses look "normal"
2. If something appears out of the ordinary, return the expense report to the employee to start over
3. If everything appears OK, approve the report, and physically pass it on to either the next manager for approval, or to accounting for review and reconciliation

For the accountant:

1. Receive an employee's expense report and check quickly to see that expenses look "normal"
2. Match paper receipts with line-item expenses
3. Manually enter data from the expense report spreadsheet into the accounting software
4. Enter data from the accounting software into payroll software to issue a reimbursement check

5 Problems with Spreadsheets

Using spreadsheets to manage T&E expenses erodes profits and productivity in five ways:

- 1. High cost:** Companies spend as much as \$64 to process a single expense report, according to a survey by American Express. It costs the average company \$29.38 to process a single expense report, while best-in-class companies pay \$7.17 to process a single expense report, according to Aberdeen Group. The majority of expense-processing costs are related to the time spent creating, approving and reimbursing expense reports and the expense associated with printing reports and mailing them to the appropriate personnel. For example, 69 percent of companies require employees to mail paper receipts to the accounts payable department for processing, PayStream Advisors' 2015 Travel and Expense Management Report found. Not surprisingly, increasing overall T&E costs is the biggest challenge of companies with annual revenues greater than \$250 million, PayStream Advisors found. Thirty-eight percent of all companies surveyed by Aberdeen Group identified reducing overall costs to process expense reports as the top pressure they face within their expense management program.
- 2. Lack of control:** Spreadsheets are difficult to integrate with pre-trip authorization systems, online booking platforms, corporate card feeds, expense reporting applications and other back-office systems that help ensure compliance and eliminate manual keying. For instance, in a spreadsheet-driven expense environment, employees must manually input data from their credit card statement into their spreadsheet expense report, match the data with a paper receipt, and code the transactions to the appropriate general ledger codes and cost centers. It is for these reasons that 20 percent of companies surveyed by Certify in 2014 identified systems integrations as the most critical T&E expense management area for improvement.



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3. Weak policy compliance: Spreadsheet-driven T&E expense processes largely rely on individual employees to make the right choices. Enforcement is managed through a manual, and typically sample-based, review process. And the process for documenting expense approvals in a spreadsheet-driven environment can become clouded as they are passed up the chain of command for approval. Without strong enforcement of corporate travel policies, business travelers can wreak financial havoc while on the road. It is no wonder that the improvement of compliance to company policies is the top expense management pressure faced by companies, according to Aberdeen Group. Fifty-two percent of best-in-class companies have developed and implemented corporate travel policies requiring business travelers to adhere to company agreements with major airlines and hotels, as well as reasonable costs for meals while on the road, Aberdeen Group reports. However, only 30 percent of all expenses are audited on a regular basis. Regular reporting on travel policy compliance ensures that all expenses are in line with travel guidelines and policies.

Spreadsheet-driven T&E expense processes largely rely on individual employees to make the right choices.

4. Poor visibility and reporting: Spreadsheet-based processes make it difficult to get a clear view into this significant portion of the corporate budget. For instance, executives cannot readily access the information they need for financial forecasts, expense management (costs and compliance), and benchmarking their specific levels of expense spending. Additionally, expense fraud is difficult to detect if all of the expense data is captured on a spreadsheet. Even if the employee does include a receipt, it is hard to be sure that the expense was not already reimbursed. Forty-one percent of companies surveyed by Aberdeen Group identified enhancing business reporting and analytics as the top pressure they face within their expense management program. Similarly, 26 percent of companies named improving visibility into their supplier base as the top pressure they face within their expense management program.

5. Low staff productivity: In a spreadsheet-driven expense environment, finance professionals spend a lot of time and effort manually gathering and verifying input data, developing formulas, designing charts, and distributing documents across departments and business units. Business travelers must manage paper receipts, enter expense data into spreadsheets or pen-and-paper expense reports, and endure lengthy review and reimbursement processes. The submission and approval processes associated with expense management are drawn out and dependent upon the organizational workflow within the finance department. As a result, 36 percent of companies surveyed by Certify in 2014 identified expense report creation and approval processes as the most critical area to improve. Similarly, manual data entry and inefficient processes are the biggest T&E expense management challenge for companies with less than \$250 million in annual revenues, according to research by PayStream Advisors.

The Benefits

Here is how web-based automated solutions address the challenges of using spreadsheets for expense reports.

- Reduced costs:** Thirty-eight percent of companies surveyed by Aberdeen identified reduced expense processing costs as a top pressure driving T&E management improvement. When you consider that the average company processes thousands of expense reports per month, even a small reduction per expense report can deliver significant bottom-line results. Web-based expense solutions reduce costs through the streamlined processing of expense reports, approvals and reimbursements, and the elimination of costs to print, deliver and physically store expense documents. Working expense reports and receipts are electronically stored in the user's online account, while past expense reports are archived and available online for immediate access. All reports are kept in one online location, allowing users to keep a documented path of approvals and eliminating the need to pay for physical storage. Importantly, web-based expense solutions free employees and managers to focus more of their time on value-added activities. In fact, Aberdeen Group reports that companies that use web-based expense solutions dedicate 83 percent less funds to expense-processing costs than companies that do not use web-based expense solutions.

“What are the biggest benefits you have achieved by automating your T&E process?”



Source: PayStream Advisors 2015

- Greater control:** Automated solutions consolidate all expense activity into a single platform that provides real-time access to valuable expense spend data. For instance, corporate travel policies, preferred vendors, and spending limits can all be incorporated into an integrated pre-trip authorization process. The web-based solution then sends notifications to employees that have booked outside company spending limits. Managers receive pre-trip notifications, are notified when out-of-policy requests are submitted, and may approve or deny requests based on budget constraints or spend limits. Integrated online booking provides employees with a tool to book airfare, hotel reservations, and transportation through approved or preferred vendors. Corporate card and expense management integration enables companies to enhance expense management into a holistic process, accelerate expense approval periods, and increase travel policy compliance. Web-based expense solutions enable users to easily create expense reports from imported expense data while adding receipt images, comments and supporting documentation. Receipts are automatically matched to credit card expenses, helping to eliminate inaccurate data and ensuring IRS compliance for expense reimbursement.

Sixteen percent of companies surveyed by PayStream Advisors identify increased corporate card usage and rebates as the top benefit of expense management automation. Web-based expense solutions also can prepopulate expense reports from corporate card transactions.

• **Improved policy compliance:** Frequent non-compliant travel expenses are a pressure driving T&E management improvement. Web-based expense solutions enable accountants and company managers to input hard and soft travel policies into the program. Employees then are prompted whenever one of their expenses exceeds a policy limit, allowing them to alter or rescind their request for reimbursement. The web-based system then reviews expenses and flags or rejects those that are out of compliance with an organization's policies. Similarly, web-based solutions allow companies to automatically audit travel expenses for each employee, rather than rely on random, largely manual audits. And web-based expense solutions store all past and future reports, receipts and approval processes in one single location. This makes it easy to research whether expense reports are properly reviewed and approved and employees are reimbursed accurately. Regular audits of expense reports help companies pinpoint areas of non-compliance, flag expenses for potential fraud, curb bad behavior, and ensure that expenses meet proper tax requirements. Regular audits also provide a measure of fraud protection. Seventy-four percent of best-in-class companies regularly audit expense reports, and 45 percent of best-in-class companies regularly report on policy compliance, Aberdeen Group reports. It is no wonder that best-in-class companies report 87 percent travel expense compliance to corporate policies, while the average company reports only 77 percent travel expense compliance, according to Aberdeen Group.



Web-based solutions allow companies to automatically audit travel expenses for each employee.

• **Improved employee productivity:** Aberdeen reports that automating expense processing increases employee productivity by 29 percent through the automatic creation and approval of reports, automated data entry, mobile tools, and reimbursement through electronic payments. Automated expense solutions streamline the creation, submission, approval and reimbursement of expense reports, all with just a few clicks. The electronic submission of expense reports triggers workflow and approval processes with automated e-mails updating managers and the employee of the status of the report. Employees no longer need to spend time each month filing paper receipts, printing monthly expense reports, or sending expense information to another office. Managers no longer need to manually reconcile expense information. And web-based expense solutions eliminate the potential for errors from complex spreadsheet formulas. In fact, web-based expense solutions enable employees to create and submit an expense report, and get it approved and reimbursed within a few minutes. Web-based

solutions also save accounting the time of creating charts and graphs on T&E expenses. Fifty-five percent of best-in-class companies have automated expense management, compared to 45 percent of all other companies, according to Aberdeen Group.

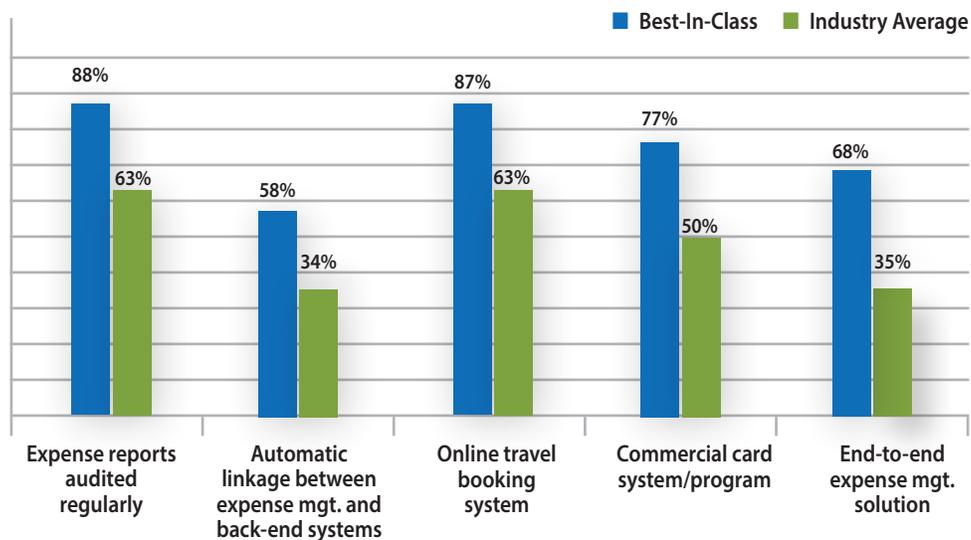


Employees no longer need to spend time each month filing paper receipts and printing monthly expense reports.

• **Enhanced visibility and reporting:** Thirty-five percent of companies surveyed by Certify identify poor visibility into spend as a pressure driving T&E management improvement. Web-based expense management solutions integrate data across systems for comprehensive reporting and visibility into expense data. Web-based expense management solutions also provide employees with the ability to access information anywhere. Companies can use these insights into expense spending to gain real-time visibility into expense spending against budgets, manage budgeting, planning and forecasting, identify historical budget overflows, and align expense management strategies with organizational goals and objectives. Managers and accountants can use these insights to study spending tendencies by department, employee, expense type or more. Additionally, web-based expense reporting can identify opportunities for consolidation of suppliers, and equip sourcing teams with the information they need for successful supplier negotiations. Expense reporting also helps eliminate delinquencies and late fees. Fifty-seven percent of best-in-class companies use automated data analytics for expense management. Not surprisingly, top-performing companies are 20 percent more likely than all others to regularly report on expense spending by category, Aberdeen Group reports. And 61 percent of best-in-class companies have visibility into aggregate expense spending, compared to 41 percent of all other companies.

When you consider these benefits, it is no wonder that 57 percent of users of one web-based expense solution said the elimination of spreadsheets was the top driver for automating expense management.

T&E Strategies and Tools Used by Best in Class Companies



Source: Aberdeen Group 2014

Case Study

A Houston-based energy services company is benefiting from an automated web-based expense management solution.

The energy services company provides a diversified portfolio of oilfield services to energy companies worldwide. Since 1989 the company has grown from 125 employees and \$12 million in revenues to a publicly traded company with nearly 14,000 employees and over \$4 billion in revenues.

The company's numerous acquisitions over the years resulted in a slew of back-office systems and manual processes. As part of a larger effort to centralize and streamline key processes across its business units, in 2012 the energy services company decided to move away from inefficient spreadsheet-driven expense management processes and deploy a web-based expense solution.

The company initially deployed the solution in its corporate office and in one of its business units. Today, the energy services company's expense process for those 500 employees is completely electronic. Migrating to a web-based expense processes has enabled the company to:

- Provide employees the flexibility of faxing receipts to their e-mail account for transmission to the expense solution or using a mobile app to scan receipts for upload to the solution
- Integrate reimbursement within the regular payroll cycle for more predictable payments
- Eliminate the considerable time managers spent physically signing reimbursement checks
- Save the accounting department several days of work each month processing expenses



The automated solution reduced the time required for employees to process expense reports by 50 percent.

The web-based expense management solution also has eased the process of mapping expenses to the company's chart of accounts in its financial system. This line item detail of expense charges has helped the company better evaluate spend and, in certain cases, refine its policies to save the company money. The company also has integrated many of its T&E policies into its web-based expense solution so out-of-policy charges are automatically flagged for review by managers. Using a web-based solution also has reduced the ongoing burden on the company's IT department.

Based on the results it has achieved by migrating from spreadsheet-driven expense processes, the energy services company expects to extend its web-based expense solution to other business units.

The Bottom Line

Companies are taking a big risk by managing an increasingly important function like T&E expenses with spreadsheets. Spreadsheets, which were never intended for corporate expense management, are labor-intensive and open the door to incorrect formulas, uncontrolled changes in the structure of a document as it passes from employee to employee, and undiscovered policy violations. Errors contained in spreadsheets have even cost some companies billions of dollars in revenues and fines.

Migrating from spreadsheets to a web-based expense solution enables companies to reduce costs, increase control over expenses, strengthen policy compliance, improve staff productivity and increase visibility and reporting. These are some of the reasons that best-in-class companies are 40 percent more likely to use web-based expense management solutions compared to other companies.

With the effective management of T&E expenses becoming more critical to business performance, automating expense reporting with web-based solutions also creates a foundation for the future.

About Certify

With thousands of users and satisfied customers around the globe, Certify is the leading fully automated travel and expense management solution for companies of every size. Certify's intuitive, easy-to-use web-based interface and advanced mobile application with electronic receipt capture allow organizations to book travel and complete expense reports and reimbursement quickly, easily and cost-effectively. All while reducing overhead processing costs, increasing compliance with corporate policy, and simplifying the overall T&E management process for employees, accountants and administrators. Find out more at www.certify.com.

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