

How to Create a Healthy Expense Report Culture



INTRODUCTION

Setting clear expectations and guidelines around travel and entertainment expenses (T&E) is crucial to establishing a healthy company culture. Employees want to feel at ease laying out money for the company, feeling confident they will get reimbursed quickly. Crafting a comprehensive T&E policy and making sure it's available to all employees is an important first step, but a policy alone isn't enough – a culture of anxiety and mistrust can emerge from even the most carefully constructed policies.



The Petty Police State

VS



The C'est La Vie Company

Why track expense behavior with AppZen Insights?

Utilize powerful analytics to drive policy and behavioral changes that can drastically improve your organization's expense culture.

Identify Top Violators

View expense spend behavior across your organization to spot who the top violators are and why.

Eliminate Manager Approvals

Remove your managers from the audit process – focus their efforts on cultivating healthy expense behaviors.

Bolster Policy Compliance

Understand the root cause of expense spend misconduct to take action – improve or reinforce your policy.

Where Expense Report Culture Goes Wrong

We typically see two main types of toxic expense report cultures. These are extreme examples, but most organizations fall somewhere on this spectrum.

Toxic Culture 1: The Petty Police State

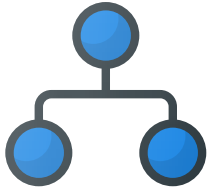
In this organization, managers must approve expense reports before they are passed on to the finance organization, and auditors pride themselves on flagging even the most minor infractions. Three dollars over on dinner? One too many checked-bag fees? Deny, deny. Problems with an employee expense report necessitate numerous sit-down meetings with the employee, manager, and the finance organization. The constant wrist-slapping leads to an environment rife with resentment and mistrust – and reimbursement takes forever.

Toxic Culture 2: The C'est La Vie Company

In this organization, there's little oversight over expense reports – and employees know it. Managers set the tone by buying expensive bottles of wine at team lunches or upgrading to first class at airline gates (despite the economy-only company policy). Entire teams expense personal spa services or boutique fitness classes in the name of "client entertainment." Everyone's looking out for themselves, and no one seems at all invested in the best interests of the business.

Contributing Factors

Both of these cultures are not only inefficient but also harmful to the overall health of your organization. Here are a few of the most common factors that lead to toxic expense report cultures like those described above.



Problem 1 – Managers are an unnecessary bottleneck.

Think of the managers in your organization. Did you hire them for their expense report prowess and expertise? If the answer is no, then they shouldn't be responsible for approving reports. Removing managers from the process can prevent a wide range of problems – from the overexertion of authority in the Petty Police State, to the outright fraud in the C'est La Vie Company – and will give them more time to do the work they were hired to do. If there's evidence of ongoing employee misconduct, managers can step in to help address it, but they shouldn't be the first line of defense.



Problem 2 – Auditors are the policy police.

This impulse is all too common. An employee expenses something outside of policy – an alcoholic beverage, an upgrade, dry cleaning – and the auditor is the one responsible to reach out to reprimand and correct the bad behavior. This is in spite of the fact that the auditor likely has no personal relationship with the individual in question, and employees have little incentive to appease them. This strategy is ineffective. It will make your company seem bureaucratic and authoritarian, and create an us vs. them dynamic between employees/managers and the finance team (as in the C'est La Vie Company).



Problem 3 – Companies are penny-wise over minor infractions.

Minor violations of policy – a few dollars over on dinner, a checked-bag fee – aren't usually malicious and often do not indicate a pattern of expense misuse. Policing them isn't worth the time and effort, and doing so will slow down the reimbursement process. In one-off cases, these should be paid out. However, if it becomes clear an employee is consistently violating policy, this is the time to consider bringing in a manager or holding a teamwide meeting to reiterate guidelines.

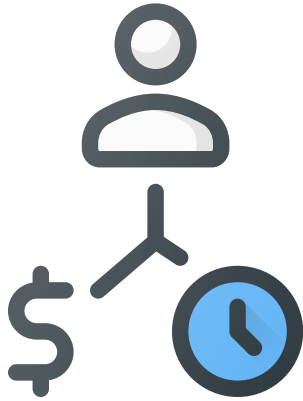


Problem 4 – Frustrated employees are waiting to get reimbursed.

This problem often stems from the issues above, but can also be a sign of inefficiency or lack of resources. Making employees wait weeks or months for reimbursement is a simple way to breed resentment and make employees feel undervalued. Employees should be paid as quickly as possible for compliant expense reports (as well as for minor infractions that don't fall into a pattern of bad behavior).

How to prevent poor expense report culture from developing:

Want an easy and effective way to nip a toxic expense report culture in the bud?



Remove managers from as much of the day-to-day drudgery of expense report approvals as possible.

The most effective way to do this is to automate expense policy enforcement. This allows you to audit 100% of expense reports with no or little involvement from managers, without inundating your finance team with many hours of additional work each week.

Today, AI-powered tools can understand and audit every line on every expense report, receipt, and travel document submitted by employees – making the process far more effective, efficient, and scalable than manual reviews by managers or auditors.

EXAMPLE

Adjusting Per Diem by City

Often, expense report insights lead to policy tweaks. For example, you might notice from a quick glance at your dashboard that some employees seem to be expensing over the \$50 per diem limit on business travel. Another 30 seconds of study reveals, however, that this is only true when employees are traveling to New York City or San Francisco – when they visit Columbus or Tulsa or Houston, they're right on benchmark.

This is a clear sign your policy needs a quick adjustment – after all, lattes and salads are 1.5x times expensive in NYC and SF as in most other destinations. And for every employee who's been expensing over the limit, there are probably other rule-followers who have been eating the difference (and feeling resentful over it). In this case, an easy policy tweak will go a long way toward making employees feel seen and building trust in the organization.

Benefits of automation:

For employees, automation means they get paid faster – much faster.

When one Fortune 10 company began using automation to audit expense reports, they cut their auditing time from weeks to minutes – freeing up dozens of hours for auditors and managers to spend on more meaningful tasks.

For auditors and managers, AI-powered tools also make it possible to better understand trends in your organization's expense report culture. Detailed insights show auditors who is spending money, on what, in what situations – giving you the information you need to reinforce policies, address misconduct, and make changes when necessary. The insights can easily distinguish between meaningless violations (e.g., \$6 over on a professional development expense) and more flagrant schemes.

How does AppZen automate expense report audits?

AppZen leverages AI to audit 100% of your expense reports just as a human would...but better and faster.

Data Understanding

AppZen reads the full context of each report in real-time.

Data Augmentation

Report info is cross-referenced against internal policies and online resources.

Risk Assessment

AI uses human-like logic to alert auditors of reports with potential compliance issues.

EXAMPLE

Addressing Unnecessary Overspend by Team

The data can also help you identify and address bad behavior among a certain group of employees. For example, you might see that members of the sales team consistently expense over the limit on alcohol spend on prospecting trips. A glance at other teams' stats shows that customer success and user experience – two other teams who travel frequently to meet with clients – don't have the same problem.

Isolating this problem at the team level allows you to dig into it more effectively. First, there's no need to involve everyone in the company. You also don't need to spend countless hours targeting individual offenders when their inflated expense report rolls in. Rather, you can first sit down with the team manager to make sure you understand the situation correctly – for example, maybe sales demos usually include 5+ people and you're only budgeting for alcohol for 1-2. But if the policy is sound and the team has just built up a culture of abuse, then you can swiftly address the issue through a team meeting and/or other means.

CONCLUSION

Why AppZen?

Scale Audit Capacity

Artificial intelligence provides human-like logic to audit 100% of expense reports in real-time.

Real-Time Risk Detection

Get notified of expense reports with potential compliance issues before reimbursement.

Auto-Approve Compliant Reports

AI-logic provides confidence to auto-approve compliant expense reports and reimburse employees quickly.

Easy Adoption

AppZen integrates with all major expense automation software to help streamline the expense report audit process.

Ultimately, company culture around expense reports is reflective of company culture as a whole. Building an atmosphere of trust, transparency, and efficiency around expense reports will help contribute to a similar atmosphere in other parts of the organization. Automation provides an easy way to pay employees back faster, reduce fraud, save time, and save money on T&E spend.

Customers are finding that, compared to their existing tools and processes, AppZen is a continuous monitoring tool that catches 10x more errors and fraud – all while creating a more efficient audit practice and reducing T&E processing costs up to 80%.

Go to www.appzen.com to learn more and sign up for a demo.

EXAMPLE

The data doesn't just identify violators; it can also help you recognize employees saving the business money. Research finds that companies that build a "recognition-rich culture" have lower voluntary turnover rates, reports Forbes. Even a simple shout-out in an email or at a company all-hands can motivate employees to keep the bottom line in mind. Rewards work too – maybe you incentivize employees to lower their spend on flights or entertainment by hosting a special happy hour at the end of the quarter for the team that cuts costs the most. Such strategies help employees feel invested in the company's success and make it feel like everyone is working toward a common goal.



AppZen delivers the world's leading AI platform for modern finance teams. Starting with AI-powered auditing of business spend, we automate manual process, uncover problems, and optimize decision making for enterprises around the globe, including one-third of the Fortune 500. Our platform combines patented computer vision, semantic analysis, and deep learning with intelligence from thousands of online sources to understand financial transactions in business context and make decisions before those transactions happen. AppZen is a must-have for CFOs and their teams to reduce spend, comply with policy, and streamline process.