

WHITEPAPER

# 6 Ways to Reduce T&E Errors, Waste, and Fraud with AI



# Introduction

---

T&E expenses are notoriously difficult to control. It's not uncommon for employees to accidentally submit duplicate or out-of-policy expenses, which are easily overlooked in the expense report shuffle. Unfortunately, misuse is common, thanks to enterprising employees who know how difficult it must be to track hundreds of team members' lunch receipts and checked-bag fees.

Partial expense report audits are the norm for many companies who can't afford to pore over thousands of expenses every month and want to pay their employees back promptly. However, partial audits are far from ideal. They're tedious, time-consuming, and require a lot of manpower. Even with a thorough team of auditors, the probability of catching all errors is small, and not worth the hundreds of hours spent.

Traditional technology solutions don't solve this challenge because they can't compare what was entered in an expense report with what's on receipts themselves, nor check every business for legitimacy or appropriateness. But AI can help. AI-powered spend automation provides the opportunity for your finance team to accurately identify high-risk spend without eating up time or budget.

# 6 Areas of T&E risk

Problematic travel and entertainment expenses come in many forms. Sometimes employees don't have the full understanding of the company's T&E policy, sometimes they'll submit an expense by mistake, and sometimes they're testing the limits. No matter their intent, out-of-policy expenses can add up to significant spend leakage.

Here are six common risks AI-powered spend automation systems look out for:

1

## DUPLICATES

Duplicate expenses come in several forms. One employee might submit a receipt for the same expense in two months, intentionally or not. Or, two employees in different departments may each submit the same lunch receipt. Machines can have perfect memory of historical submissions and can flag when a \$110.00 lunch receipt shows up again a few months later.



**2**

## **OUT-OF-POLICY EXPENSES**

Catch flagrant policy violations ranging from massages, to strip clubs, to tattoos, and more. Even if the business is under a DBA name, AI can reference online sources such as Google or Yelp to determine the true nature of a merchant's business. For example, AppZen AI has discovered the merchant name "K-Kel, Inc" as the DBA name for the strip club Spearmint Rhino.

**3**

## **BRIBES AND OTHER ILLEGALITIES**

Gifts to clients or vendors can be legitimate expenses. But gifts to certain foreign government officials or other politically-exposed people could be considered bribes under U.S. federal regulations – and land your company in hot water. AI that can cross-reference names against databases and verify gift recipients is key for compliance.

**4**

## **TRAVEL UPGRADES**

Expense misuse can be simple or elaborate – from submitting personal expenses on a trip, to buying a pricey airline ticket only to cancel and rebooking a lower fare to pocket the difference, and more. Unnecessary upgrades are also common. For example, an employee might bump their plane ticket up to first-class or standard room up to a suite, claiming there was nothing else left on the flight or in the hotel. While other solutions may flag an unusually high rate, only AI systems can look for cost variances across various categories and use contextual evidence to flag the correct expenses for manual review.

5

## BITES & BOOZE

Most companies are clear about how much they'll reimburse for food and alcohol expenses on specific occasions (e.g., a solo lunch on a work trip vs. a client dinner out), but that doesn't mean that employees won't try to push the envelope. While an extra drink or appetizer is usually no big deal, recurring \$500 meals at Michelin-starred restaurants can do some real damage to your bottom line. AI-powered systems should call your attention to the most egregious spending, so your team doesn't waste precious time policing petty overages.

6

## REPEAT OFFENDERS

Maybe an employee has been regularly adding extra padding to normal expenses – for example, expensing a \$75 airport taxi ride when they really spent \$50. Or, maybe they're claiming that they gave a server an exorbitant tip on a meal (say, \$75 tip on a \$20 meal), but in reality, set aside 20% for the server and kept the rest for themselves. Unlike standard expense report software, only AI can detect suspicious patterns in individual expense reports as well as individual employee's spending patterns to make sure your company isn't being taken for a ride.



# How AI Can Help



AI-based spend automation solutions are a fast and cost-effective way to manage T&E spend. While rule-based systems and manual audits can catch some overspending and misuse, only AI-powered software can give you the full picture of every expense.

Below are the critical requirements when you're considering an AI solution for T&E spend management:

## 1 AUDIT 100%, PREPAYMENT

Automatically audit 100% of expenses before reimbursement for duplicate, discrepancies, potential fraud, so you know which expense reports require manual review and which can go straight to payment. This allows you to reject expenses that don't adhere to policy before they're paid out, rather than trying to claw back that spend when it's too late.

## 2 UNDERSTAND DOCUMENTS

OCR can digitize text and look for numerical amounts or keywords, but it doesn't understand any context. AI understands expenses, invoices, and contracts. So for example, if a root beer float is on a receipt, we know that's it's a dessert, not a beer. And we can catch all kinds of duplicates, even across different types of documents, because we understand what's actually on them.

## 3 ENRICH WITH INTELLIGENCE

Critical information that you need to validate spend is likely scattered across the company, or in external online sources. AI can check the internet to verify merchants, prices, and check people against regulatory lists like politically-exposed persons. This allows you to fully assess your risk by bringing in additional context to understand every transaction.

4

#### ASSESS AND REFINE RISK

Determine which expenses are erroneous, fraudulent, or non-compliant with your T&E policy. Spot duplicate expenses across the company, whether the expense is from the same person or different people. Effective AI solutions continuously assess risk, allowing you to take automated action.

5

#### STREAMLINE PROCESSES

With the capability to calculate the risk of each expense, you can automate the expense approval process with confidence. AI integrates into your existing expense automation system to audit every expense in real time to spot errors, waste, and fraud. This helps you shorten reimbursement times, which will delight your employees, while also still finding all instances of errors, waste, fraud, and non-compliance.

## Conclusion

Getting a grip on T&E starts with crafting clear company policies and communicating them effectively across all levels of your team. Once you have these in place, AI solutions can enforce compliance, root out fraud and other risk factors, and ultimately prevent significant spend leakage, without needing additional resources.



## About AppZen

AppZen delivers the leading AI-driven platform for modern finance teams. The AppZen Platform is built on 7 years of learning from thousands of online sources, thousands of customers and billions of financial documents and transactions like invoices, contracts, expense and accounting data. Starting with business spend, we automate manual process, uncover problems and optimize decision making at scale for finance organizations around the globe, including one-third of the Fortune 500. The AppZen Platform combines patented computer vision, semantic analysis, and deep learning to understand financial transactions in business context and make decisions before those transactions happen. It is a must-have for CFOs and their teams to comply with policy and regulations, streamline process, and reduce spend.

Over 1,650 enterprises have standardized on AppZen, including four of the top five banks, four of the top ten media companies, four of the top ten pharmaceutical manufacturers, two of the top five aerospace companies, and six of the top ten software providers. Visit us at [www.appzen.com](http://www.appzen.com) and follow us on Twitter @AppZen

[APPZEN.COM](http://APPZEN.COM)