EXPANDING EXPENSE ENFORCEMENT

Using audits, policies and technology, companies are cracking down on noncompliant expenses, according to a new *BTN* survey.

By Mary Ann McNulty

A compliance crackdown appears to be underway as corporations use reporting, technology and auditing tools to scrutinize travel expenses, according to the 9th annual *Business Travel News* Expense Manager Survey.

Nearly 70 percent of 168 travel buyers surveyed from December 2011 to February 2012 said they had reviewed or tightened expense policies and systems. Three in five said their organizations had deployed an online expense reimbursement system, while more than half said they had increased expense report auditing or equipped more employees with corporate cards. For each of the following, more than a quarter said they had upgraded to a new online expense reporting system, refused to reimburse or offered partial reimbursement of noncompliant expenses.

Citigroup is among the companies that implemented partial reimbursement. Employees who book outside the designated travel agency receive back only 80 percent of business travel costs. Reaction was "very loud" during the first few months after the policy was implemented in October 2010, but it was important to strategic initiatives, according to global travel department director Mick Lee.

INCREASED SCRUTINY

Citigroup is not alone. According to the survey, 24 percent of respondents from companies with $12 million or more in annual air spend indicated their organizations only partially reimburse for noncompliant travel. Another 7 percent planned to implement such a tactic this year.

"There is definitely increased scrutiny on spend, and organizations are looking more closely at what is being expensed," said a spokesman for SumTotal Systems, which last summer acquired CyberShift and its Necho expense system. "Companies are establishing policies where there were none before and tightening those that were already in place."

InterplX Technologies president and CEO Chuck Buckner said some clients have adjusted receipt requirements by payment source to drive compliance. For costs charged to a corporate card that would prepopulate an expense report, receipts are required only for expenses of $75 or more. For cash or personal funds, receipts are required for $10 or more. "This may seem like a minor deal, but it cuts down significantly on receipts needed and encourages use of the corporate card," he added.

Spendvision product development head Andrew Whiting said his company also is "increasingly seeing companies tightening up their spending controls. CEOs have relaxed the reins a little [on travel], but the importance of scrutinizing spend and making sure policies are applied and followed has become all the more important. And, rightly so. Businesses should have visibility of what they are spending and need to be able to run reports on the who, where, what, why and how of all their payments."

Rising costs prompted closer review of expenses at electronics manufacturer Jabil Circuit, according to global travel director Jackie Bispo. At her company, accounting is reviewing out-of-policy charges more closely and seeking approvals from higher levels.

Certain industries, notably banking and pharmaceuticals, needed to "tighten their policies due to additional government and public scrutiny," said Acquis Consulting Group managing partner David Kaufman.

Kaufman questioned if *BTN* survey findings on the proportion of companies reviewing and tightening expense policies were "somewhat inflated" by how buyers define the tactics. "I'm confident most companies are thinking about their policies and give a cursory review," he said. "However, I don't think most companies are performing an in-depth review of their policies, such as benchmarking, comparing to best practices and analyzing data against policy." Companies also define tighter policies differently, he said, ranging from "changing policy to auditing more thoroughly."

Business travel bans, higher-level approvals for any travel and other policies "put in place during the Great Recession have been relaxed," Kaufman said. "While I'd say policies have been tightened significantly over the past decade, we passed the peak."

But *BTN* research respondents, along with those participating in other recent studies, this year indicated that compliance remained among their priorities, if not the top priority.

Aberdeen Group reported that nearly 60 percent of 140 travel or expense decision-makers responding to an online poll in January and February cited "improve expense management processes" among their 2012 priorities. Aberdeen found that "T&E expenses account for 8 percent to 12 percent of the average organization's total budget."

"Nearly 70 percent of organizations view T&E expense management as a strategic internal function," according to Aberdeen senior research analyst Christopher Dwyer. "Less than 30 percent of organizations have real-time visibility into T&E spending against budget."

A Carlson Wagonlit Travel poll of 290 global travel managers conducted in late 2011 also found traveler

compliance as a top priority for those based in North America. Savings on air travel, ground transportation and hotel stays emerged as the primary focus for buyers located in other regions.

In the *BTN* research, among the 30 percent of travel buyer respondents representing organizations with annual air expenditures of $12 million or more, nearly 12 percent said they planned to tighten expense reimbursement policies in 2012. About 42 percent of all respondents are considered midsize with $1 million to $12 million in air spend. The remaining 28 percent had less than $1 million in annual air expenditures.

Some buyers are more closely scrutinizing expenses because technology or systems integration now allow them to do so. Nearly 80 percent of respondents from the biggest spenders and 62 percent of those from midsize firms said their organizations had implemented an online expense solution. Nearly 45 percent of the largest spenders indicated that their companies recently upgraded to a new online expense reimbursement system. More than half of all *BTN* survey respondents said they had integrated their expense systems with payment, general ledger/financial and/or human resources/organizational hierarchies. Doing so allows the companies to report in greater detail—by business unit and perhaps even in real time rather than monthly or quarterly.

Reporting from expense systems, integrated systems or the latest breed of analytics is prompting some of the policy tweaks, according to IBM Global Expense Reporting Solutions director Raymond Curatolo. "Customers now have the data that allows them to tighten policies," he said. Of customers on the latest version of IBM's expense system, more than 80 percent are using new analytical capabilities, he added.

Aberdeen Group in its March expense management study found that such practices were among those that separated the top 20 percent of survey respondents from the rest, in terms of performance in expense report processing costs, compliance to corporate travel policies and percentage of business travel spend under management. The top 20 percent of companies it surveyed had "54 percent higher likelihood to regularly report on policy compliance" than other companies, along with 57 percent higher likelihood to leverage end-to-end travel and expense management solutions. The top 20 percent were 50 percent more likely

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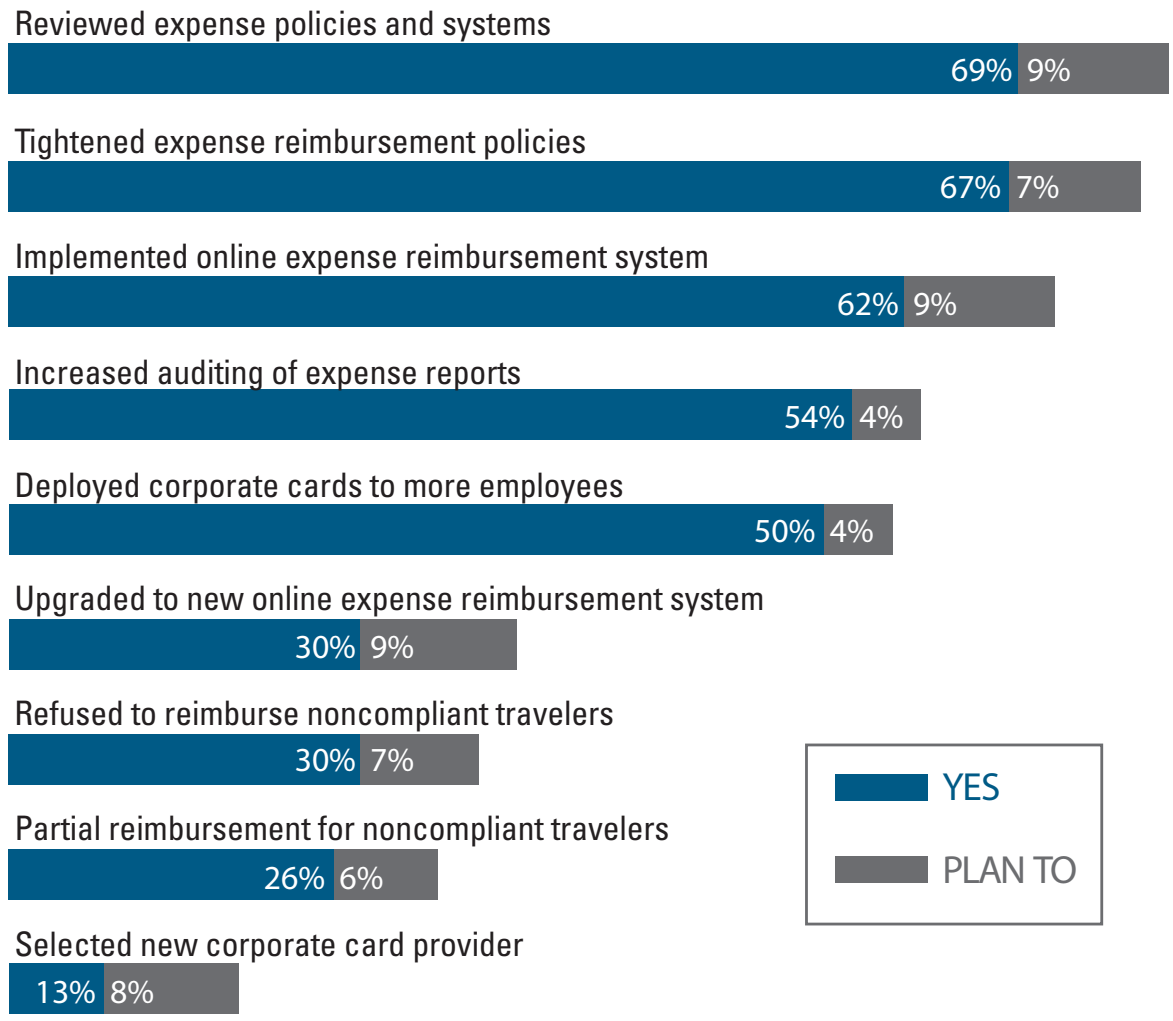
T&E Scrutiny Intensifies

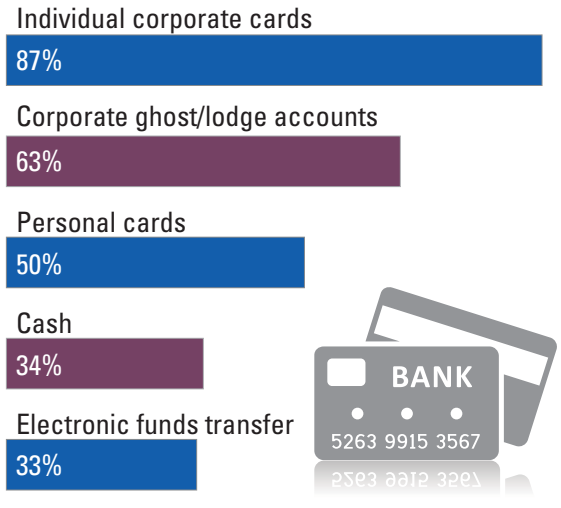
Expense Management Actions Taken By Companies



Source: BTN December 2011-February 2012 survey of 168 travel buyers

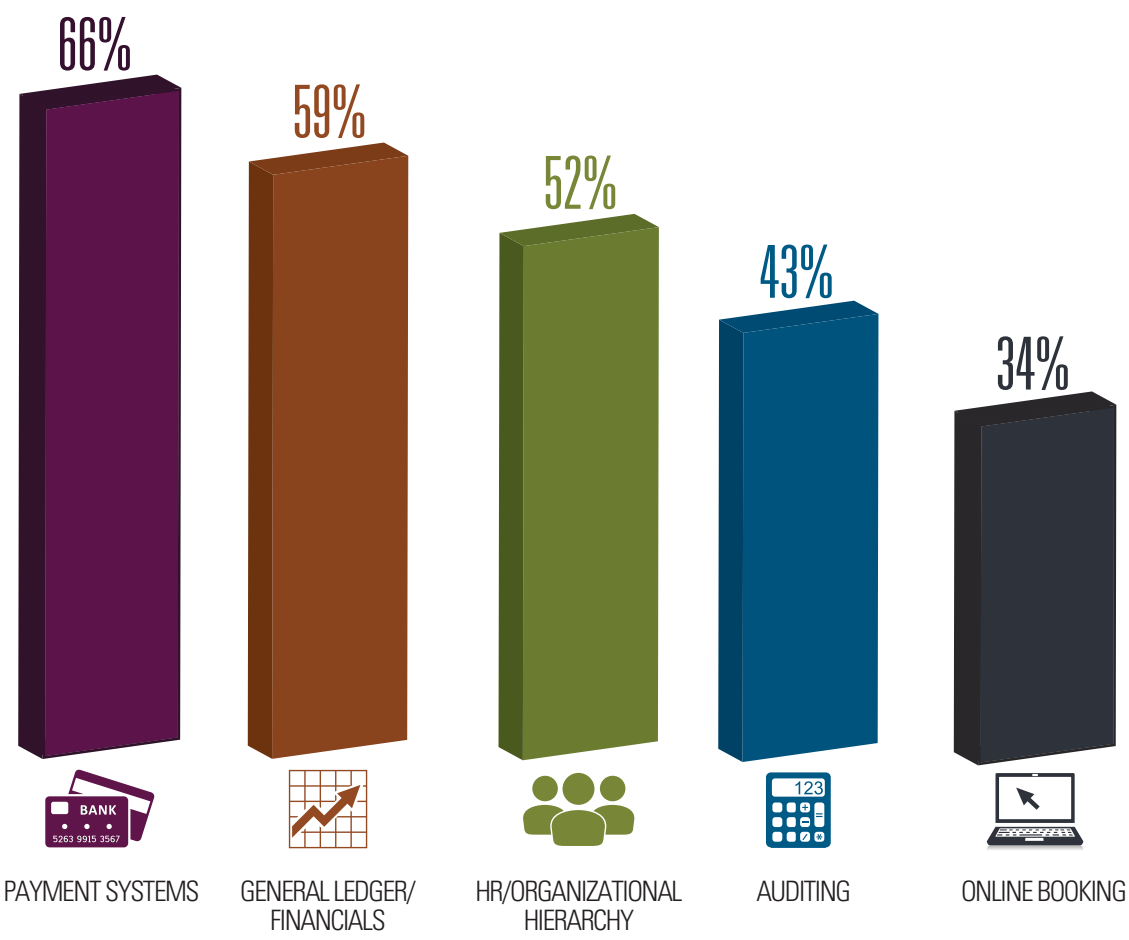
Most Companies Prefer Individual Corporate Cards

Payment Options Used For Business Travel Expenditures



Source: BTN December 2011-February 2012 survey of 169 travel buyers

Corporate Systems Most Commonly Integrated With Expense



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