

# CLOSING THE GAPS IN COMPLIANCE

An SAP Concur Client  
Community Report on  
T&E audit  
best practices.



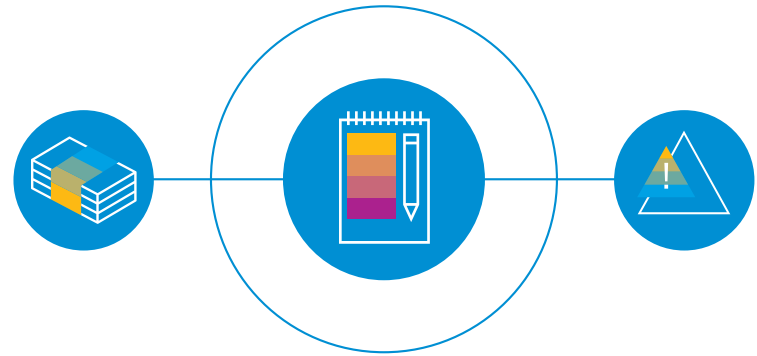
## About this report.

As a part of our SAP Concur Client Community, we want to help you connect with your peers. It's an opportunity to learn from one another, and share the challenges as well as the benefits that arise within your organization. This report is a forum for that connection, covering the top-of-mind topic of global audit programs and their impact on your T&E policies.

Many of you have asked us about auditing T&E, and while programs vary greatly by industry, philosophy and company culture, this summary gives you one, clear perspective. It's based on what we've learned at our client events and roundtable discussions, as well as the expertise of our global audit program specialists at SAP Concur.

As always, we thank you for your business and your partnership. Let's keep the conversation going.

David Samuels  
Senior Vice President  
SAP Concur Client  
Development



## Keeping up with costs and compliance.

As a leader responsible for your organization's travel and expense programs, you're faced with new challenges daily—new employees, new policies, new acquisitions and ever-changing regulations that require increasing controls and processes just to keep up. As a result, maintaining compliance while finding ways to drive costs out of your programs is priority number one.

You have a fiduciary responsibility to follow accounting regulations, capturing and substantiating receipts for every expense. You have a further responsibility to see that the T&E policies you've put in place are being followed. Ultimately, this internal oversight and control is what your audit programs are designed to do. It's deciding where and how to put them into practice that gets complicated.

## What's your best approach to HOW?

"How do we do it?" is the most common auditing question we receive from our clients. But when we dive deeper, the first question uncovers more.



**When** should you audit—  
at what point in the approval  
process?



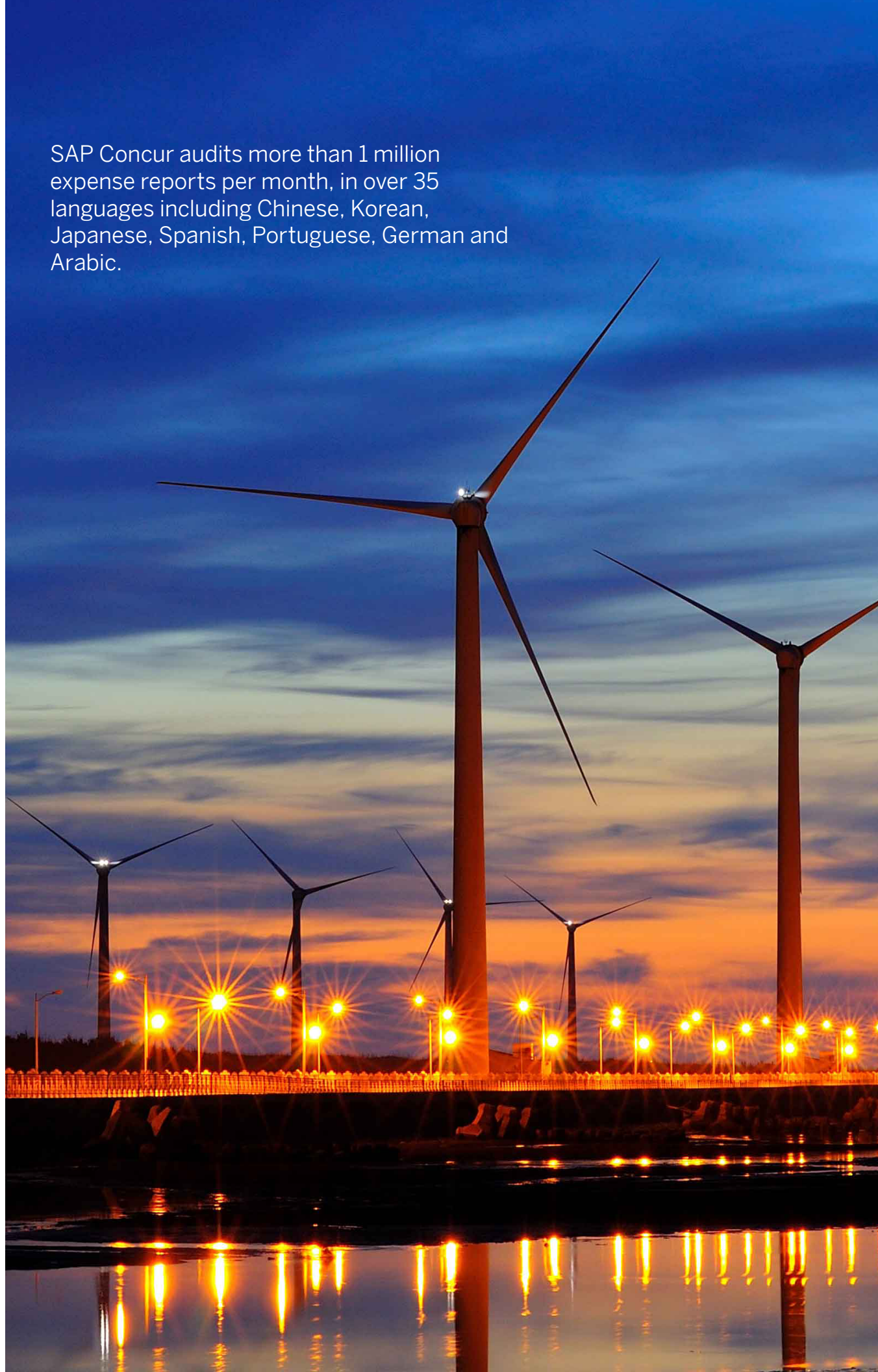
**What** should you audit—how do  
you prioritize and focus?



**Why** are you auditing—  
are you focused on taxes,  
compliance or fraud?

We'll share answers to these questions here with best practices and recommendations from your peers, plus more than 10 years of helping companies like yours audit millions of dollars of T&E expenses.

SAP Concur audits more than 1 million expense reports per month, in over 35 languages including Chinese, Korean, Japanese, Spanish, Portuguese, German and Arabic.



# 1

## Question 1: When should you audit?

Timing is everything, and when it comes to auditing, you're looking at three main points along the T&E timeline:

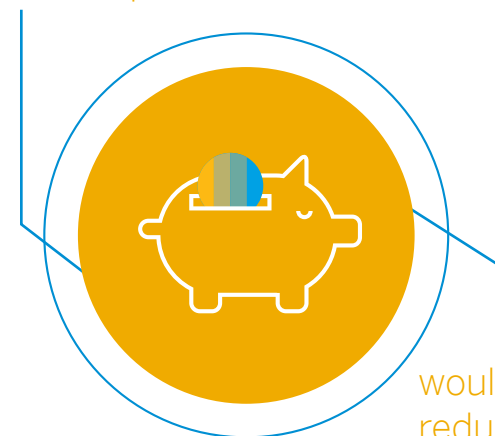
1. Before manager approval.
2. After manager approval.
3. After payment.

### Here's what your peers are doing.

The majority of our large clients are auditing *prior* to manager approval because it gives them consistent controls across their business, avoids wasted time dealing with incomplete or inaccurate reports and allows managers to still review receipts if they'd like to. Those corporations that audit *after* payment may be doing so as their T&E programs are growing and maturing.

Catching bad spend before it is approved pays off. In their Spend Analysis Report survey of the transactions of Fortune 1000 customers, Oversight discovered companies that actively monitored expenses had an eight percent reduction of "out of pocket" items after just one year.

A customer with **\$40M**  
in T&E spend



would have a  
reduction of  
about **\$800K**  
per year

## OUR BEST-PRACTICE RECOMMENDATION:

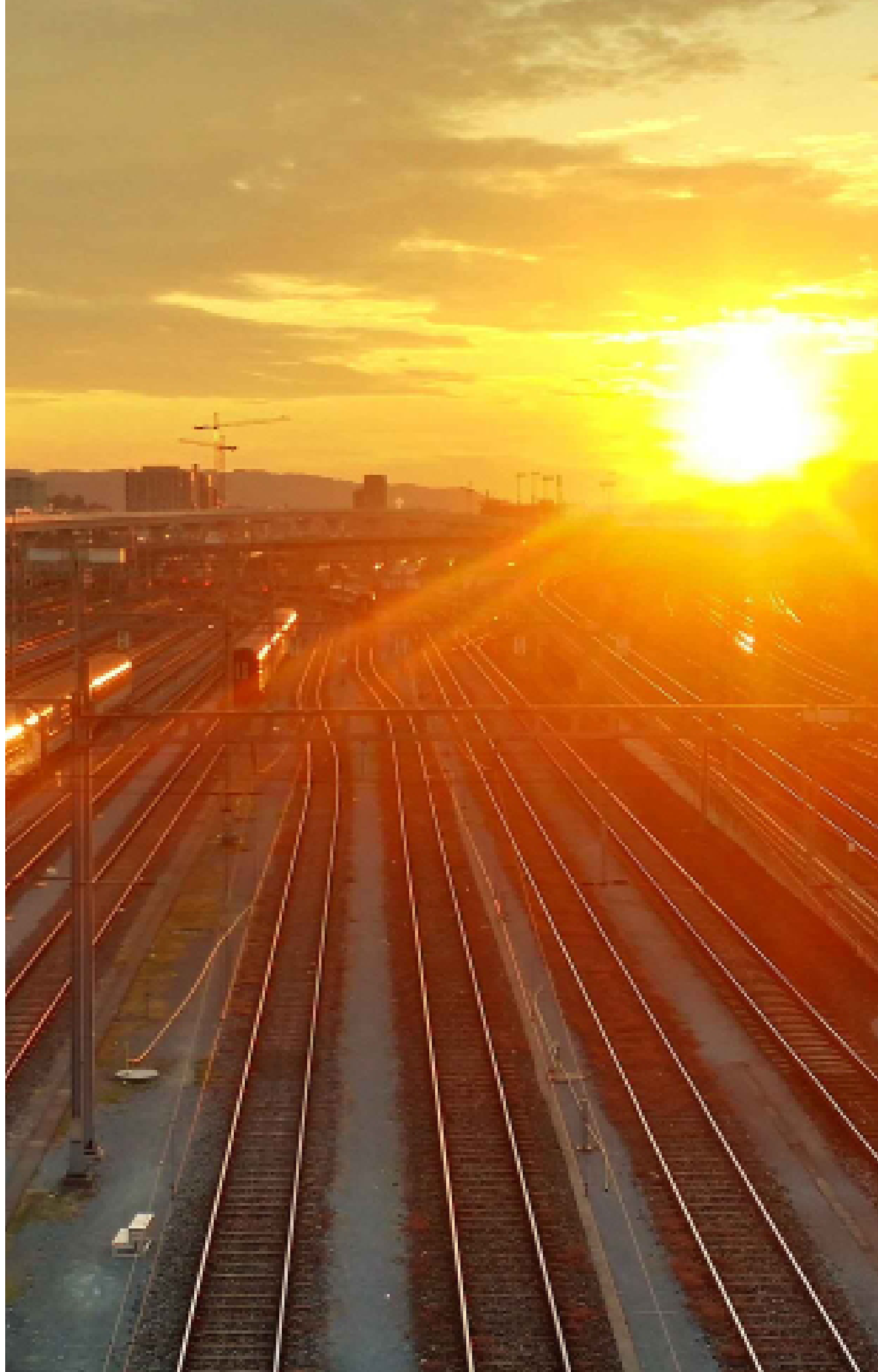
### **Audit BEFORE expense reports are approved.**

- Put a checks-and-balance system in place before payment.
- Simplify the approval process, cut turnaround time and speed up reimbursements.
- Give employees a chance to correct their expense reports before sending them for approval.
- Save managers time by reducing the number of rejected reports.
- Eliminate the need for post-pay audits.

Auditing before approval also eliminates the problem of trying to recuperate funds you've already reimbursed. For example, if a certain amount of spending was not in compliance, you'll know about it before you reimburse your traveler, and you'll avoid the hassle of getting that money back.

### **Another reason to audit before manager approval.**

Many organizations see early auditing as crucial, because they see managers providing no more than a "rubber-stamp" approval on expense reports. Other clients have said they don't see the value in post-event approval. The prevailing opinion is that, despite their best intentions, managers don't review, they simply approve.



# 2

## Question #2: What should be audited?

With the amount of people and processes pouring through your corporation, it can be difficult to decide who and what to check up on.

If you're new to auditing, it's best to start by evaluating your current situation. Take a thorough look at what's working and what isn't before building your plan. Then you'll know how to gauge your success.

If you already are auditing, make sure you're targeting the right audiences: the teams and people who travel the most or who have a history of non-compliance.

### Here's what your peers are doing:

There are seemingly as many approaches to auditing as there are companies. A few interesting examples rise to the top:

How much do you audit? Across the board, clients are auditing anywhere from 10% to a full 100% of expense reports, depending on their industry.

- A small number do back-office audits 100% of the time, but many review a portion of the reports based on specific groups or areas of risk.
- Defense contractors and companies in the life sciences, higher education and financial industries don't have a choice—industry regulations, government regulations (like DCAA), financial transparency laws, the Physicians Payment Act (Sunshine Act) and other global transparency rules require that 100% of expense reports be audited, with severe penalties for non-compliance.
- And to ensure greater VAT compliance and reclamation, companies headquartered in the UK and throughout Europe strive to achieve 100% audit as well.
- The challenge is striking the right balance between a simplified, continuously improving global program and the data-capture requirements dictated by each country.

What do you audit? One company audits 20% of randomly selected claims, plus certain expense types, *all* executives, cash items, and expenses/expense reports that exceed a certain dollar amount.

- Some companies use one global T&E policy around the world and apply it to every country. Other companies have multiple T&E policies. Others have one global T&E policy that they allow regions to tighten down if needed.
- One global manufacturer looks at anyone traveling for an extended period of time or for an extended stay. Another global manufacturer looks for duplicates within a specific timeframe, targeting policy compliance and expense types.

### OUR BEST-PRACTICE RECOMMENDATION:

## Audit 100% now, then get selective.

You need to consider your company's unique goals and priorities, but we suggest auditing 100% of your expense reports at the beginning to establish a baseline understanding of how your policies are being followed.

Remember, if you audit 100%,  
you'll get 100% compliance.

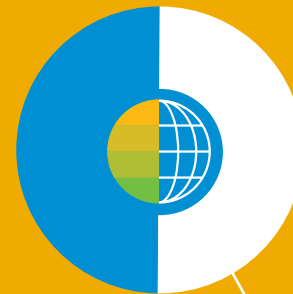
If 100% isn't possible, consider auditing 20% of expense reports in traditionally challenging areas.

As your program gets established, pull back your overall audit percentage to focus on:

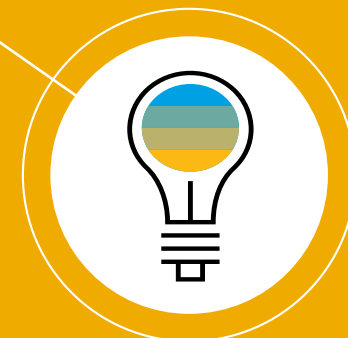
- Randomly selected claims based on a percentage of all submitted expense reports.
- A list of frequent non-compliant spenders.
- Teams of managers who do not look at receipts.
- Any employee with 90-100% of out of pocket expenses.
- New employees (for the first 3-6 months) to ensure they understand policy.
- New departments or countries.


# Mandate your corporate card program:

You'll capture more data and  
improve compliance.



53% of U.S. Enterprise Account Transactions are on Corporate Cards, along with 62% of average spending.<sup>1</sup> Push For 100%, and you'll get greater visibility and more control over T&E spending.



A stack of US dollar bills and coins is shown on a wooden desk. The bills are fanned out, and several coins are scattered on top. A laptop is partially visible in the foreground, and a white cup is in the upper left corner.

You can also focus on employees with reports that fit a certain criteria:

- Executives and their administrative assistants.
- Cash expenses.
- High-value expenses/claims.
- Certain expense types, such as group meals and first-class flights.

**According to SAP Concur 2016 US Enterprise client data, the majority of account exceptions stem from receipt issues.**

72% of exceptions come from lack of receipt capture and 24% stem from mis-categorization of Expense types. So what do you do?

Require receipts to be attached at the line-item level and encourage mobile receipt capture. It's less work for auditors and leads to faster processing, approvals and payments.

**Here's how simple it is:**

- Let travelers snap photos of receipts on their smartphones.
- Capture those receipts at the line-item level.
- Set \$25 limits for cash and \$75 for cards to keep things in check.
- Require affidavits for missing receipts.
- Use SAP Concur E-Receipts to automatically itemize hotel, air, car rentals and other incidentals.

According to a recent study by Oversight Systems, the costs of inaction can add up quickly. Companies without robust monitoring of T&E in place saw overall spend rise to 14% or higher, while those with that did have robust programs held T&E increases to five percent on average.<sup>2</sup>



# 3

## Question #3: Why should you audit?

This question seems simple, but often we all need to be reminded of the answers:

- 1. Drive policy compliance.**  
To stay in compliance, it's important to establish policies, processes and end-to-end controls. Your policies are in place for a reason, and with well-publicized auditing procedures, you can make sure they're being followed. Just as importantly, when you identify trends and knowledge gaps in specific areas of your company, you'll learn how to adapt your policies to match your business needs.
- 2. Control costs.**  
Your employees are spending money, and when your second largest financial line item is T&E, you need to be auditing to prevent them from overspending.
- 3. Identify bad behaviors.**  
Your goal for non-compliance is zero tolerance, and audits allow you to identify and address out-of-policy spending immediately.
- 4. Reduce your risk.**  
Stay in compliance with regulations like the Foreign Corrupt Practices Act in the US and the UK Bribery Act. Like the names of these regulations indicate, they're designed to prevent payments to local or international officials for the purposes of obtaining or retaining business. There are major consequences for individuals and companies who violate these regulations, including tens of millions of dollars in penalties, confiscation of property and even prison time.

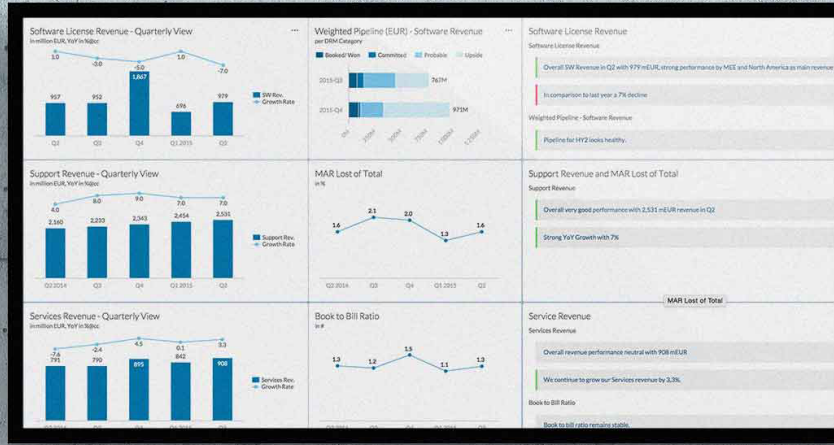


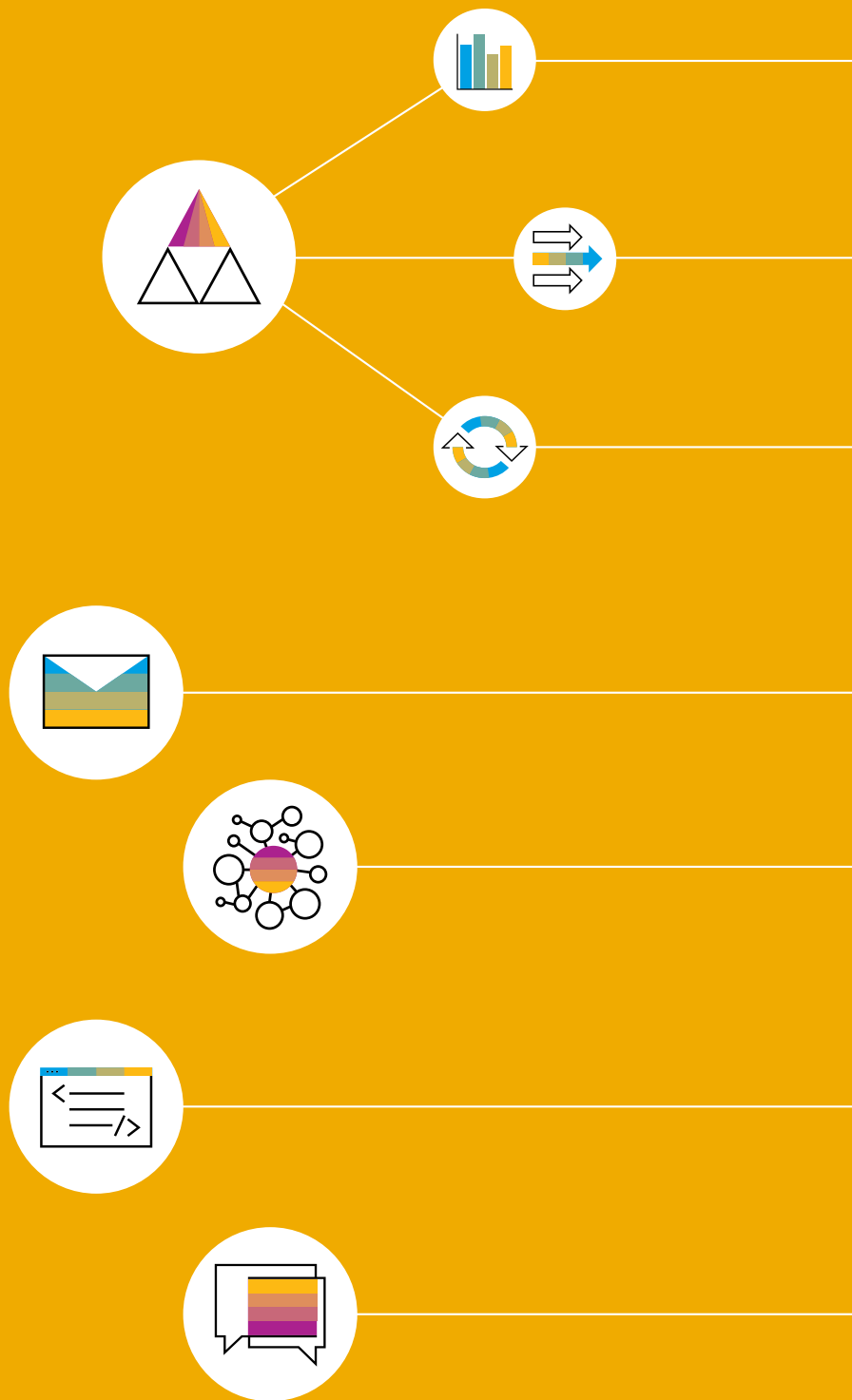
**The answer is clear:** pinpointing problem areas through auditing and maintaining an end-to-end process keeps you in control and your company protected.

### Here's what your peers are doing.

Our clients have widely ranging audit parameters. A few interesting and useful examples include:

- One organization prevents fraud by running reports for any expense that occurs during weekends.
- Another has an audit pass rate of 80% due to education and visibility.
- Another global brand set up an automated program to report anyone with delinquencies on their corporate card.





## OUR BEST-PRACTICE RECOMMENDATION:

### Follow these few tips.

1. Build a three-prong approach:

**Reporting:** Spot issues, identify trends and prioritize auditing resources using your SAP Concur reports. Look at your 60- and 30-day aging reports. And consider using SAP Concur's Top Exception Violators and Duplicate Expenses reports.

**Configuration:** Build in daily/weekly spending limits and flag duplicate expenses by checking booked vs. expensed rates for travel charges. And be sure to map it all back to *your* policies and *your* business.

**Physical audit:** Tap into third-party experts for efficiency, effectiveness and objectivity. Concur's Audit service fills the gap and completes the feedback loop, so you can see the percentage of claims against policy, educate users or modify your processes.

2. Send email reminders:

Consistently remind end users and their managers to get expense reports submitted on time.

3. Triangulate your data:

Require three forms of verification for each expense: card data, receipt and itinerary. If they all match, you have less to worry about. SAP Concur's E-Receipts and card feeds dramatically simplify this process.

4. Use MCC Codes to your advantage:

When you audit by Merchant Category Codes, you can identify expenses that should get a second look, based on vendors from within certain industries.

5. Communication is key:

Publicize your travel policy and audit program so everyone is educated about how to stay in compliance.

## When, what and why aside, audits work.

Your approach to audits will probably be different than any other organizations, and it needs to be based on your priorities. The results, however, are consistent across every company:

Effective audits drive costs out of T&E, reducing administrative time and increasing savings.

One client in manufacturing saw an **increased credit card rebate of \$500,000** in the first year alone.

Use the best practices outlined here to establish a clear plan for when, what and why you're auditing your T&E spending, and remember that these practices are just the beginning. Consider using Concur Audit to build a custom program around *your* needs and *your* policies. And with the insight you'll get from SAP Concur, you can see how to shift your culture in ways that lead to lasting improvements in T&E.



## Why consider Concur Audit services?

Imagine tracking your senior executive's spending and having to call out exceptions. Imagine your team spending days on tedious audits, knowing there are so many more opportunities to save, but there just aren't enough resources to go around. Imagine not having to worry about it.

Concur's Audit services provide a global, objective, third-party review without interoffice issues or bogging down internal resources. Companies have saved both time and FTEs, all while turning audits around quickly and accurately.

**WP Client Audit Best Practices enUS (18/01)**

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1 SAP Concur 2016 client benchmarking data; based on U.S. Enterprise accounts.

2 2017 T&E Spend report by Oversight Systems.