



A CERTIFY

White
Paper

THE IMPORTANCE OF EXPENSE MANAGEMENT AUTOMATION

The Move From Manual to Automation

An in-depth look into the migration from manual expense management practices to automated cloud based systems

The Importance of Expense Management Automation

Introduction

Complications of manual expense management

Problems with manual expense management

Benefits of Automation

Why expense automations makes sense

Case Study

Key client benefits

The future of expense management

References

Executive Summary

Expense management is a vital component of a finance department and comprises a large portion of a company's annual budget, with the average organization spending between 10-12% of their annual budget on expenses related to travel and entertainment.

With the large corporate expense, the speed and accuracy of expense reporting and oversight can have a direct impact on the efficiency of a company and affect its bottom line.

“Best in class” within the same report reduced the time spent creating and processing an expense report on average by 55% by using an automated T&E solution.

There have been many advances in recent expense management systems, including faster processing time due to globally connected technologies, but without a centralized process that automates these steps, expense management can remain cumbersome and time consuming.

In an annual study conducted by the Aberdeen Group, top companies in a variety of industries were interviewed and executives were asked to list their top financial pressures.

- Nearly 50% cited the need to improve compliance to company policies
- 41% said they wanted to improve business reporting and analytics
- 38% stated they needed to reduce the cost of processing expense reports

Within the same report, the perceived importance of expense management increased by 39% between 2010 and 2011. The reality is that expense management is a significant component of a successful 21st century business and modern technology can now make it a more affordable, to manage component.

Complications in Manual Expense Management

Two-thirds of companies still use Excel or pen and paper to manage their expenses.

According to the 2011 Aberdeen Group Report, companies using a manual process to manage expense reports spend on average \$41.12 to process a single expense report, with compliance as low as 50%. While, those companies using an automated system spent as little as \$7.17 per report and had a compliance rate of 87%.

their expense management the most. Combined with cumbersome record keeping, this can cause excessive corporate spending.

According to the 2013 Trends in Expense Management survey conducted by Certify, a company's using manually processes to manage their expense reporting named employees losing paper receipts

47% of companies using manual processes name lost paper receipts as their largest expense management pain point.

Expenses include hours spent by employees writing expense reports, hours spent by accounting processing and approving expense reports and the ongoing issue of compliance.

as their number one pain point with expense management.

Largest Pain Points Account Manual Expense Management

In fact, it is estimated that companies with manual expense processes have a significantly harder time enforcing their in-house policies - with compliance rates as low as 50% in the cases of laggard companies, those struggling with

- 47.30% Employees losing paper receipts/ submitting without receipts
- 45.95% The time it takes to reconcile, review and approve reports
- 41.89% Employees failure to submit reports on time

Problems with Manual Expense Management

The four main problems with manual expense management are:

- **Significantly Higher Error Rates**

Compared to automated processes, companies reported a much greater incidence of error, not only in recording data but in the processing of expense reports using manual methods. This includes misuse of Excel, improper formatting of expenses and improperly recorded expenses.

- **Not Easily Reviewable**

A manual expense system makes it impossible to monitor expenses before they are recorded. Only after the expense has been made and recorded is there any form of accountability, greatly decreasing compliance rates. This also makes it quite hard to impose policies and ensure they are followed accurately.

- **Reimbursement Costs and Time**

Processing expense reports takes longer,

Users of automated expense management systems report much faster reimbursement times: 52% report less than seven days, compared with 8-14 days for 50% of companies with manual processes.

- **Paper Based Expense Reporting**

Manual expense management is traditionally paper based, requiring managers to print and annotate their expense reports with receipts and then ship those reports. Additionally, payments are paper based, slowing reimbursement time and increasing costs.

reimbursement takes longer and the cost of repayment is greater than with an automated system due to the manual processes shipping and processing.

Problems with Manual Expense Management

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Because of these drawbacks and other innate challenges of manual expense management there is a significant savings for those that switch to an automated system.

According to a 2009 Expense Management Adoption survey conducted

surveyed to determine their greatest expenses, it was found that 4.6% of all direct costs in €2.6 billion per year worth of expense claims were related to expense management. Implementing best practices, including automation technology reduced that cost by up to 54%, a net savings of 2.5% of direct costs.

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by PayStream Advisors, the return on investment of automation is 74% for electronic reimbursement, 67% for automated workflow for approval and 64% for reporting and analysis. Across the board, the switch from a purely manual expense management process to an automated procedure results in significant savings.

In another study, the “European Expense Management Study 2008”, in which 66 companies based in Europe were

ROI of Automation

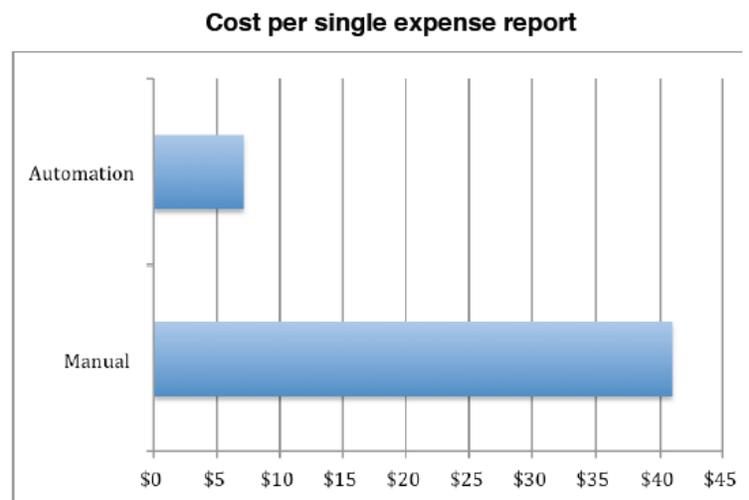
- **74% for electronic reimbursements**
- **67% for automated workflow for approval**
- **64% for reporting and analysis**

Benefits of Automation

Because the cost of manually processing expense reports is so high, many companies are actively seeking alternatives, taking advantage of recent advances in automation technologies. There are a number of reasons why automation is considerably more effective than traditional manual processing methods.

To start, the average cost of a single automated expense report is \$7.17 as opposed to the \$41-\$68 average for creating, shipping, processing and approving a manual expense report. At the same time, compliance by employees increases dramatically to 87%, significantly reducing the cost of oversight and following up with inaccurate or

The following shows the amount of money spent to process a single expense report with a manual process versus an automated expense system:



Source: Aberdeen Group

compliance by employees increases dramatically to 87%, significantly reducing the cost of oversight and following up with inaccurate or missing expense reports.

missing expense reports. When ambiguity is removed through using an automated system, corporate travel policies become more defined and the line between acceptable and unacceptable expense grows smaller, allowing for a much more smooth expense management process for both the employee and managers.

Automated expense management that integrates with a more powerful set of analytics and oversight tools makes it easier to not only oversee adherence to corporate policies, but to look for ways to reduce expenses as a whole - something that is often overlooked when using a manual approval process.

Why Expense Management Automation Makes Sense

Companies moving to automated expense management can cut expense processing times in half.

Using an automated expense management solution opposed to the traditional manual processes, companies gain greater insight into their overall corporate T&E spend and increase compliance to corporate policies, decreasing the occurrence of errors and misuse of corporate dollars.

Specific benefits of expense management automation include:

- **Faster Reimbursements Reduces Stress**

Manual expense management requires human review at multiple steps, which greatly slows processing time. As a result, employees and managers wait much longer for reimbursement - which can create problems for them both financially and operationally. Automated expense management alleviates these concerns with turnaround times of as little as 24 hours and no more than one week as opposed to 2-3 weeks.

- **Better Understanding of Expenses**

Instead of attempting to predict expenses for your business based on past data and largely inaccurate or improperly filed reports, automation allows the generation of real time reports that show concisely how the spend is distributed in your organization, allowing you to negotiate better deals, plan for predictable expenses and cut your budget as needed.

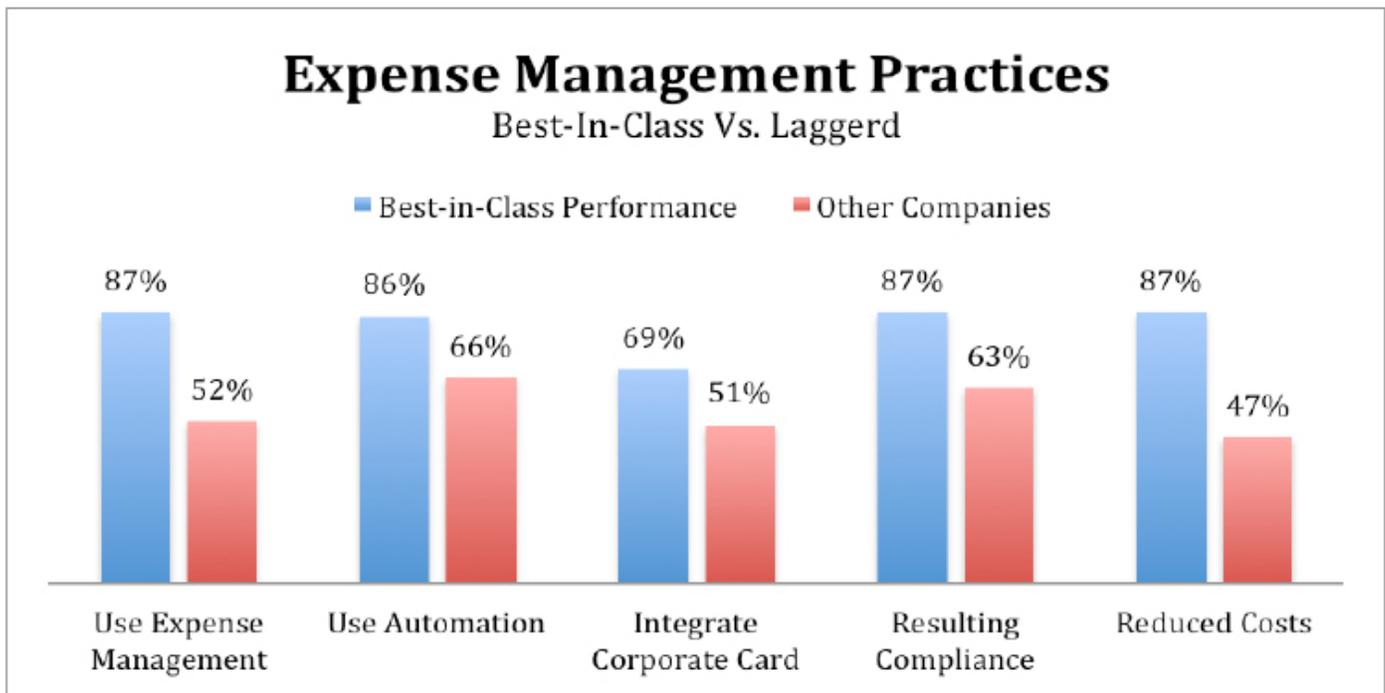
- **Eliminate Key Performance Issues**

A number of common performance issues can be eliminated by integrated automation in your expense management. Issues with compliance, time lost working on expense reports and misuse of management resources are all affected by an automated system. An automated system provides information for employees with questions as well - reducing time spent verifying policies and discussing allowable expenses.

Why Expense Management Automation Makes Sense

There are a number of solutions available that take advantage of modern technology, including mobile-friendly expense management software and cloud stored accounts that allow access from anywhere, ideal for organizations with frequent travel expenses.

By looking at those companies that perform best in class, we can see which solutions have the greatest impact on the reduction of expense management costs:



Source: Aberdeen Group, 2011

Observing the Positive Impact of Expense Management Automation

Companies across the globe are taking the leap onto an automated, web-based expense management system from their manual spreadsheet or pen and paper expense processes, with hopes to

reduce overall T&E spend and increase visibility. The question is, does expense management automation stack up to its expectations?

Case Study: Medical Device Manufacturer

Company Profile:

Automated Expense Management User Since 2009

Product Used: Certify Travel & Expense Management

Many companies have taken steps to integrate automated expense management systems. One such company is a leading medical device manufacturer based in Boston, Massachusetts, a firm with staff in over 18 countries, was eager to find an affordable, flexible expense management system to replace their existing spreadsheet-based tracking methods.

This company is a prime example of the benefits that can be gained from switching to an automated expense management system. With more than 100 employees and executives that submitted expense reports, and with many of those users working in offices around the globe, including in the United States, Russia, Australia, Hungary, China, Germany and 12 other countries, the cost of maintaining expense management system manually was high. ending both was a complete nightmare and the entire process took about an hour.”

The International Controller, who oversaw the transition from the manual expense management process to the use of Certify, was eager to make the move, stating, “It was a big headache creating an expense report in Excel. We had to tape receipts to a piece of paper and attach them to a report. Lining up the receipt, labeling, and cross-referencing both was a complete nightmare and the entire process took about an hour.”

That same expense report would then need to be shipped by UPS to the headquarters in the United States, a process that could take as long as a week from offices in Latin America. Then, “it would sit here for approval within a stack of papers, and then it would be 2-3 weeks before [the employee] got reimbursed.”

The new automated expense management system streamlines the process so that it is completed in hours, not weeks. Time is saved, but so too is nearly \$10,000 a year in shipping expenses alone.

In contrast, using the Certify automated system, that same Latin American manager enjoyed much faster turnaround time. “The first report he did with Certify, he sent his report electronically at 6:00 p.m. on a Monday, I got an email saying an expense report was available for approval, I logged into Certify from home, reviewed and approved his expense report, and by noon the next day he got reimbursed, all within 16 hours. This process really hit home with him.”

In addition to the speed, the cost of freight is reduced significantly. Whereas in the past packages shipped from Latin America or Asia would cost upwards of \$25 per shipment and take a week or longer to arrive, the new automated expense management system streamlines the process so that it is completed in hours, not weeks. Time is saved, but so too is nearly \$10,000 a year in shipping expenses alone.

Key Client Case Study Benefits Experienced in Switching to Automation

- Reduced shipping costs on expense reports to a fraction of previous spending
- Employees are reimbursement in hours opposed to 3 weeks
- Eliminated lost paper receipts
- Increased frequency of submitted expense reports from quarterly reports to monthly if not weekly reports.
- Gained spend reporting and analytics, a function previously not available.
- No longer have a need for spreadsheets

The Future of Automated Expense Management

Expense management in the 21st century can benefit from the same technologies that have so drastically improved everything from sales to project management. Today, more than two thirds of companies continue to use the same slow, costly and often-times hard to enforce methods that have been used for decades.

Automation through Certify offers a number of clear benefits over those old methods. As the medical device manufacturer experienced, the time spent completing expense reports can be reduced substantially.

Automation improves compliance by close to 40% as well which greatly reduces the need for close policing by company staff and again, reduces the cost of management. More than that, by ensuring compliance, you stand to learn a great deal from the data gathered. Expenses across an entire corporation can be compared, managed and, when possible, reduced to match your company targets without having a major impact on anyone's operational capabilities.

Certify, using a combination of new technologies and mobile systems makes it possible for employees and managers

Automation improves compliance by close to 40% as well which greatly reduces the need for close policing by company staff

As you can see, an automated system not only saves close to 100 hours per year for those processing 10 expense reports per month, but it greatly reduces turnaround time on receiving those reports, approving them and allowing your managers to continue doing what they do best.

to focus on the things that have the greatest positive impact on your business, alleviating the countless hours of manual expense report creation and oversight and greatly reducing the associated costs.

Sources

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T&E Expense Management Adoption Survey, PayStream Advisors, 2009

Let's Get in Touch

Certify makes expense reports easy by automating the creation of the expense report for the employee, providing online review and approval process for managers, and streamlining the processing and reimbursement process for accountants.

With Certify ReportExecutive™ expense reports are created automatically for your entire company. Company-wide scheduling makes it easy to coordinate expense report creation and submission.

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Want to learn more?

Visit Certify at www.certify.com and request a live demonstration.