∴ abacus
by emburse

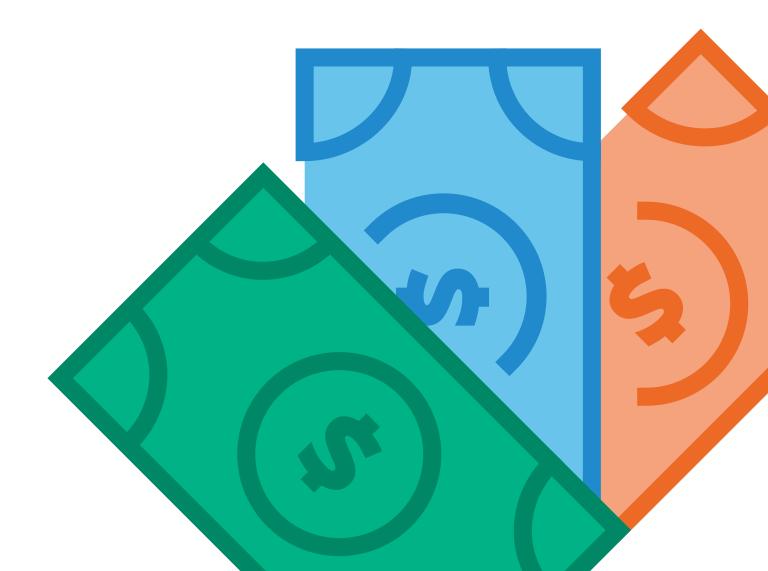# The Buyer's Guide to Expense Management Solutions

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Why You Need an Expense Management Solution

Expense management solutions streamline your team's workflow for submitting and reviewing business expenditures. By implementing an expense management solution, you'll gain control over expenses, increase visibility for better decision making, and boost employee productivity to lower costs.

Gain Control Over Expenses

Maintaining policy compliance and reducing the risk of fraud is a common concern for finance teams in regards to business expenses. Expenses are often submitted with missing or incorrect information, or are outside of policy. A solution will help you dramatically increase your control over your data's accuracy. Your solution should have tools that automatically flag expenses as rule violations with system-triggered rule setting. It should also connect directly with your financial institutions to decrease the amount of manual work (and human error!) required.

"Companies saw a 64% reduction in errors and 40% improvement in policy compliance when using an expense management solution." - The Aberdeen Group

Increase Visibility for Better Decision Making

Your expense management solution should empower your finance team to be a more strategic company resource. Automations to help track expenses, pull reports, and gain insights at a granular level across your company will largely achieve this. Now, instead of pulling reports and sifting through data, finance can easily glean insights that inform business decisions.

"In the past, organizations looked to the CFO to ensure the financials of the company were accurate. Today, with the increase of data across organizations, CFOs are looked upon to advise leaders as they plan out the strategic future of the company."
- Adaptive Insights CFO Jim Johnson, as told to Forbes

Boost Employee Productivity to Lower Costs

According to the Aberdeen Group, the average cost of processing a single expense report is $20.65, factoring in the time it takes for a finance team to review, approve, file and reimburse expenses.

An expense management solution can help automate your expense reporting and reduce that time. This is especially true with tools that focus on usability and automation, so employees can quickly enter expenses without major disruptions to their work.

"You can reduce the cost of processing expenses by nearly 60% when implementing an expense management solution." - The Aberdeen Group

The ROI of Expense Management Solutions

If you're interested in a general idea of ROI for expense reporting software and don't want to spend the time analyzing internal costs, The Aberdeen Group published data on averages for expense report processing:

$20.65 = Average business cost to process a single expense report without expense report software

$7.50 = Average business cost to process a single expense report with expense report software

1.5 = Average expense reports submitted per employee per month

The Basic ROI Calculation

$$\frac{Monthly\ Savings - Business\ Cost\ to\ Process\ Expense\ Reports}{Business\ Cost\ to\ Process\ Expense\ Reports}$$

To find out your monthly savings, you'll need to know what your current average cost per month is to process your expense reports. If you don't have this data and want to use Aberdeen's data, multiply the industry average to process a single expense report by the number of expense reports you process per month (again, you can use the industry average per employee and multiply it by how many employees you have if you don't know).

Current Monthly Processing Costs

Current cost to process a single expense report
X
# of expense reports processed per month

Next, figure out what it would cost with expense reporting software in place to process your monthly expenses. This will be based around some assumptions of how much time you think you'll save from your current way of doing things, or again, you can use Aberdeen's data.

New Monthly Processing Costs

New cost to process a single expense report
X
# of expense reports processed per month

Subtract the new costs from the old costs to get an understanding of your monthly savings.

Finally, you can calculate how much of a return on investment an expense management solution would be by subtracting the new monthly processing costs from your savings and dividing the total by your new monthly cost. In other words what you want to know is, yes the costs are lower per month, but is the difference worth the effort?

Using Aberdeen's data, the ROI calculation would look like this for a company with 150 employees:

[$20.65 x (150 x 1.5)] = *Current Monthly Processing Costs of* **$4,646.25**

[$7.50 x (150 x 1.5)] = New Monthly Processing Costs of **$1,687.50**

[$4,646.25] – [$1,687.50] = **$2,958.75** *in monthly savings*

or an ROI of ($2,958.75 – $1,687.50) / $1,687.50 = **75%**

This translates to saving almost **$3,000 a month** on processing costs: meaning the investment in a new system will return **175%** of what you paid.

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Before Starting to Evaluate Solutions

Before you evaluate expense management solutions, you need to align internally on what you need, outline your process, and research your options. Once you've done so, solutions will be much easier to compare and your process will be much smoother.

Talk to Stakeholders

Interview company stakeholders to understand their concerns and expectations. What financial reporting and insights do they expect? Are they concerned about controlling cash flow or showing ROI? Getting stakeholders involved from the beginning will help eliminate challenges during the decision-making process and system implementation, and set expectations for success.

Set Needs and Requirements

Create a list of needs and requirements. List the accounting software you use, outline the rules that make up your expense policy, and define your approval workflow. Common needs include:

- Managing a corporate card program
- Billing expenses back to clients
- Tracking spend against projects
- Tracking and reimbursing travel spend

This list will give you an understanding of the features that you'll need in a system.

Outline Your Process

Outline your top concerns around your current expense reporting process. Are you having issues enforcing your policy? Are employees holding onto receipts for months on end? Is reimbursing employees slow and causing complaints? By identifying major concerns you'll have a clear goal to share with vendors.

Common concerns around expense reporting include:

- Issues enforcing your policy
- Employees holding onto receipts for months on end
- Slow reimbursements cause complaints

Understand Your Options: Real Time vs. Batch Reporting

The next step is to start your research. Begin with understanding the types of expense management solutions.

Expense management solutions break into two main system types: batch reporting and real time expense reporting. The type of system you choose will affect the features and capabilities available to you, as well as the process for submitting, reviewing, and approving expenses.

Batch Reporting Solution

Expenses are collected over a period of time and then grouped together into a report to be submitted for reimbursement.

Pros: Mirrors the traditional expense reporting process but is expedited with technology like mobile receipt capture and online submission

Cons: Expenses are arbitrarily grouped together, preventing granular levels of control and the ability to create dynamic reports and workflows.

Real Time Solution

A real time expense reporting solution indexes individual expenses, reducing the need for a batched expense report.

The term "real time" is broadly used and abused, often applying only to particular features such as receipt capture, which can be misleading. A true real time solution considers expenses as individual transactions and logs each independently, similar to a search engine.

Pros: The ability to create customized workflows, views and reports, as well as set granular, expense-level controls for your policy and automation.

Cons: Learning a new process for managing expenses.

Note: Each feature explained in this guide will be impacted differently by the type of solution: real time expense reporting and batch. Vendors may use these terms loosely, so dig into the feature's impact for the submission and approval process with each solution.

The main difference between Real Time and Batch Reporting systems is rooted in the submission and approval process.

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Features and Capabilities: Expectations and Limitations

As you evaluate solutions with your list of needs and requirements, be sure to understand what features are available across platforms, how they're best implemented, and how they work in the solution.

Feature 1

Submitting and Approving Expenses

Speed and Convenience

An expense management solution should speed up the submission and reimbursement of expenses. This requires a good user experience for how expenses are created and approved. Look for features and automations like:

- **Mobile apps**
  Expenses don't always happen at a desk. Look for an Android and iOS mobile app for submitting and approving expenses. Capturing expenses as they happen gets better data from employees. Reviewing and approving expenses from a mobile app will make it more convenient for managers, as well as expedite bookkeeping.

- **Linking personal credit cards**
  Today's most common form of payment is a credit card. But many employees won't have a company card (and don't need one). Look for features that sync an employee's personal credit card transactions to the system. This speeds up the expense submission process, while avoiding the liability of a corporate card program. Ideally, expenses can be suggested based on the type of transaction and employee behavior.

- **Automated expense creation**
  Automation ensures that more accurate expense data is entered, making the review process easier. Look for features such as matching receipts to card feed transactions, reading receipt data, automatically drafting and suggesting expenses, and categorizing expenses based on past behavior.

- **Tagging expenses with custom fields**
  There is a fine balance between collecting the information important to your company and the IRS, and overburdening your employees. Seek out solutions that leverage intelligent fields that can be auto populated. But be wary of solutions that combine several tags into a single field, as these will prevent reporting.

- **Simplified travel expenses and booking**
  Expenses add up quickly when employees travel, making tracking travel spend complex and heavy on manual work. Look for a user-friendly travel booking experience within your solution. It can then seamlessly integrate with expenses and automatically enforce your expense policy. Also look for streamlined travel-specific dashboards or reporting. These functions can let employees gather all travel expenses into one streamlined dashboard that, ideally, breaks out total spend and the status of each related expense.

To speed up your expense management process, look for a good user experience for how expenses are created and approved.

Workflow and Organization

The expense management solution you select should allow you to customize your approval workflow and the structure of your organization's data. This gives you the flexibility to meet your goals.

- **Organization**
  Be sure you can group your employees by department, teams, or even projects. This will affect how your policy is applied, the automation rules you can create, your reporting, and your accounting sync.

- **Approval hierarchy**
  Look for the ability to add levels of approval, such as a department manager. This helps control departmental spend and improve policy oversight.

- **Audit trail**
  Expect a full audit trail of expense submissions and approval, as well as changes made to any submission. This is a critically important feature, especially when it comes to internal compliance and IRS reviews. This feature is enhanced when a solution also tracks communications for a specific expense.

- **Non-employee users**
  You may need the flexibility to invite users outside of your company for actions such as paying contractors, providing access to your accountant, or reimbursing interview candidates.

Feature 2

Card Management

Corporate Card Management

Is your company using or planning to start using corporate cards? Your solution should provide a central view into every issued card, with the ability to see unexpensed transactions before month end. The ability to distinguish reimbursable and non-reimbursable expenses will help determine employee payment and support clean reporting. As such, you'll gain better control over your corporate card program while eliminating hours of work on monthly reconciliation.

Pro tip: Look into card issuing with your solutions. Some solutions team up with card providers to allow your organization to issue virtual and physical cards to users. These cards can automate rules for employee purchases, continuously sync expenses, and help automate expense reconciliation (among other things). As such, you could gain real time, end-to-end control over employee expenses from the point of sale through reconciliation.

Card Issuing

Your solution should allow companies to issue virtual and physical cards to their employees that draw from the company funds. Issued from your solution itself, administrators can then set spending rules for where, when, and how much an employee can spend for approved expenses. The company can then kick off

automated expense reconciliation right after a card is swiped. Think of it like a debit card with preset rules that's connected right to the software you use for expense management.

Added benefit: This means employees no longer need to make out-of-pocket purchases to cover expenses.

Feature 3

Reimbursements and Managing Cash Flow

The expense management solution you choose should make the reimbursement process easier for both the finance team and employees.

In our era of smartphones and online banking, few people go into a bank or write checks anymore. Your solution should offer the ability to electronically transfer funds to an employee's bank account, the same way payroll is directly deposited.

Your employees' experience and their wait time for funds is an important, and often overlooked, consideration for reimbursing expenses. By considering the time your teams carry their expense costs, you have the ability to create a more positive employee experience.

Real time systems can initiate reimbursements as often as you approve individual expenses — meaning employees can get quickly reimbursed. A batch reporting system will reimburse expenses in a lump sum when the entire batch of expenses is approved.

Feature 4

Expense Policy Compliance

Providing more transparency in your expense policy, making compliance easier, is an added benefit of expense management software. A good solution helps you solve communication challenges, alleviates common misunderstandings, and automates policy enforcement.

Communication

The majority of issues causing expenses to be rejected are often cleared up with a simple question or additional information. Use a solution that makes communications more efficient, and your expense process will become more efficient too. Ideally, your solution ties each communication to the expense it relates to.

Look for a solution that has features such as chat, commenting, or in-mail to communicate with your team directly from the application. Consider your team's work and communication style, and be sure that the platform can support it.

Automated Rules

The ability to automate is another benefit of using software to manage expenses. A solution's system-triggered rules can allow you to catch issues before expenses are even submitted and set up card issuing without a hitch.

Look for two types of rules with this capability:

1. **Policy rules** boost compliance by automating your expense policy to prevent or warn of out-of-policy expenses before they're submitted.

> Examples of commonly automated rules are requiring a receipt for any expense over $75, a daily budget for meals, and how long an employee has to submit an expense.

2. **Approval rules** have the ability to auto-approve expenses. Approval rules are incredibly powerful if set at a granular level. You'll bubble up expenses that are anomalies or out of policy so that you can focus your efforts there.

> An example of when to use auto-approval rules setting the system to target transactions like recurring expenses. The automation could contextualize the expense by period of time and person submitting.

You will see a stark difference between real time expense reporting and batch reporting. Rules and automations in a real time solution can be applied granularly and at an expense level and employee level based on the data being captured.

Pro tip: When comparing automated rules between solutions, consider the level of granular controls they can give you.

Transparency

Generally, there is a lack of transparency between companies and employees around policies for business spend and reimbursements. Even if a company provides their team with a written expense policy, it is often not immediately accessible as an expense is being incurred. An expense management tool is a bridge between a finance team and employees. It provides you with a place to store your written expense policy, while helping you implement rules and communicate about specific expenses. It should not be another hurdle or roadblock, but instead be informative and helpful.

An expense management solution is also a communication tool meant to improve the conversation between finance and employees.

Feature 5

Accounting Software Sync and Data Export

Any tool that you add to your finance toolkit should work well within your existing ecosystem. Your expense management solution's data should easily flow into your accounting software, matching expense categories to your existing chart of accounts and mapping custom expense fields like customer or department.

Beyond simply syncing the data with your accounting software, you should find an integration that helps automate the bookkeeping. Look for a sync that automatically matches and reconciles expenses with bank debits.

Accrual vs. Cash Sync

The ability to choose between syncing expenses to your accounting software, in either cash or accrual method, is another stark difference between real time expense reporting and batch reporting solutions. Only real time solutions offer this because it requires expenses to be indexed individually.

Always be sure that you can download your expense data as a .csv or PDF file. There shouldn't be any restrictions between you and your data.

Feature 6

Documentation and Support

The expense management solution you select should be straightforward to implement and simple to use. However, there will always be times when you or your team needs assistance or has questions.

Documentation

The ability to troubleshoot issues will help you keep your expense management solution up and running. Proper documentation and videos should be available to get you through common issues and questions, for both you and your team.

Before you purchase, comb through the support documentation. Does it seem helpful? Is it easy to understand? Read through any FAQs.

Added benefit: Reading through the support documentation will give you a first-hand look at what the solution has for features and capabilities.

Customer Support

You should also pay close attention to the support offered. While comparing solutions or during a free trial, reach out to support as if you were a customer. Make sure your concerns are addressed in a time period that you feel is appropriate.

Also look to a solution's social media channels and compare providers on review sites like G2 and Capterra. Do a quick search for their name or social profile to see what their customers are saying and how the company is responding. Look for system status updates too. Is the solution being upfront in making customers aware of issues?

Your solution should communicate well with its customers — that could be you and your team on the receiving end.

"92% of B2B buyers are more likely to purchase after reading a trusted review "
- G2 and Heinz Marketing, 2017

Feature 7

Reporting and Analytics

Finance is being asked more than ever to produce data and insights to help companies make strategic business decisions.

The information inside of company expenses is valuable data. Select an expense management solution that gives you the best access to information, in a way that lets you provide context and tell a story about topics such as return on marketing spend, customer acquisition costs, and spend by project.

Pay attention to how the system collects data, as this will affect its reporting and filtering abilities. If all the information is lumped together under a single text field or a batched report, the data becomes siloed and hard to break apart to use in a meaningful way.

A real time expense reporting solution will index expenses individually, storing data in individual fields, to give you the ability to analyze and use your data. This is what will allow you to pivot your company spend data to add context to strategic decisions. Expense data optimization can affect geographic expansion, customer retention, and cash flow — making it powerful data to add to your arsenal of finance reporting.

"Five of the top 10 threats cited by CEOs are financial in scope: uncertain economic growth, over-regulation, exchange-rate volatility, an increasing tax burden, and social instability. Finance functions are critical to providing insights on navigating these threats." - PWC

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Solution Evaluation Tool Kit

There are clear cost and time saving benefits when using an expense management solution. Selecting the one best suited for your needs will solidify those benefits and increase adoption throughout the company.

Be sure that you clearly outline what type of solution you need and what you want to accomplish with it. This toolkit provides you with the pre-evaluation worksheet and questions to ask, in order to best evaluate solutions.

Pre-Evaluation Worksheet

☐ Build your needs assessment

☐ Map out your expense reporting process

☐ List reporting data that you require

☐ List technical needs and requirements (i.e. accounting software, mobility, etc.)

☐ Map out your approval process

☐ List your expense policy rules

☐ Determine your need for a corporate card or card issuing program

☐ Calculate how many expense reports you typically process in a month

☐ Create a list of possible external account holders (accountant, interview candidates, etc.)

☐ Compile a list of software solutions your company is already using, whether in finance or that houses data that could impact expenses

Evaluation Questionnaire

Solution Structure and Basic Features

- Do you use a batched or real time system? (Reminder: Batched is when expenses are submitted for approval in the form of reports, real time is where expenses are indexed as individual transactions.)

- Can I create custom expense level fields and team level fields to filter and report on expenses?

- Can I create dynamic, custom reports?

- Can I tie individual expenses to events, clients, projects, etc.? Can I create a report from this information?

- Can I customize my approval process (i.e. adding layers of approval)?

- Do you offer direct deposit to employee bank accounts for reimbursements? How long do funds usually take to be received by the employee?

- Do you offer travel booking and travel expense management within your system?

- What security features do you have to protect bank account and credit card information?

Expense Policy

- Can I automate my expense policy by building granular rules?

- Can I build rules off of any standard or custom field? A combination of fields?

- Can I set rules and budgets down to the employee, category, time period, etc.?

- Can I choose whether I want to warn a user or block an expense from being submitted if it's in violation of a rule?

- What tools do you offer inside the platform to communicate with employees? Is the communication attached to the individual expense that it refers to?

Managing Corporate Cards

- What tools do you offer to help me manage my corporate card program?

- Do you offer card issuing through your system?

- What will my monthly reconciliation process look like?

- Is there a way to manage outstanding expenses on corporate cards?

Extracting Data

- What accounting software do you sync with?

- How often is data synced over? What triggers data to be synced?

- Can you sync data in accrual method?

- Do you match the synced expenses to the associated debits in my accounting software?

- Can I export my data? Can I select what fields are exported? What file types are supported?

- How long is data stored?

- How is data accessed in the event of an audit?

Mobile

- Do you have a mobile app for both Android and iOS?

- What features are available in mobile?

Additional Questions

- Do you offer a free trial? For how long?

- Is any feature or capability unavailable during the trial?

- How is your pricing structured? What price point would I fall into based on my needs?