

# STRATEGIES FOR KEEPING T&E EXPENSES IN CHECK

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With business activity increasing, it can be easy to let cost containment policies slacken. This is especially true for travel and entertainment (T&E) expense policies, as business travel picks up in response to increased sales, hiring and training activities. Yet the discipline that guided companies through leaner times should remain central to prudent expense control.

U.S. business travel is expected to reach \$295.7 billion in 2015, an increase of 3.1%.<sup>1</sup> Travel ranks as the third largest expense category for most companies after rent and personnel.<sup>2</sup> By communicating the impact of T&E expenditures on the bottom line, simplifying policies and expense processes, using technology for booking and tracking, and auditing processes regularly, companies can effectively keep T&E expenses in check.

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## BEST PRACTICES FOR T&E EXPENSE CONTROL INCLUDE:

- 1. Clarify policies and procedures** — The goal of expense reporting is to document, both for the company and for tax purposes, that expenses are genuine business costs.<sup>3</sup> Too often, a company's T&E expense policies evolve as an afterthought to business needs, and the resulting procedures are antiquated. Regularly reviewing and streamlining reporting requirements will help employees comply.
- 2. Keep it simple** — Employees prefer user-friendly automated expense programs to older processes that required paper receipts. By publishing a timetable for submitting expenses, companies can set expectations for both approvals and reimbursements.
- 3. Communicate effectively** — In addition to periodically publicizing T&E policy updates on company intranets, bulletin boards and email, new employee orientation and ongoing development programs can cover policy updates as well. This will reinforce the cultural aspect of T&E policies and the importance of employees taking responsibility for expense management.<sup>4</sup>
- 4. Reward savings** — Companies like Google actively engage and reward employees for cutting travel expenses by offering alternatives to working with corporate travel agencies. These options include online tools that provide price ranges and allow selection of cheaper alternatives. Travel programs such as Rocketrip encourage employees to do their own research and book the best deals, then reward them with a percentage of the money saved.<sup>5</sup>



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#### **5. Realize multiple benefits with corporate cards**

— Corporate cards allow companies to customize expense control, monitor expenses in real time, reduce the risk of fraudulent charges and initiate payables 24/7. From the point of view of employees, corporate cards reduce the administrative burden of filing expenses, do not impact personal credit scores or personal credit card limits, and do not tie up personal funds while waiting for reimbursement.<sup>6</sup>

**6. Make timely reimbursements** — Employee morale is bolstered when expenses are reimbursed quickly and within the published timetable. In addition to maintaining the credibility of the T&E expense program, this helps employees manage their own personal cash flow. Use of direct deposit for employee reimbursements also reduces the risk of fraud.

**7. Use technology effectively** — A wealth of Web-based and mobile solutions are available to integrate travel booking, automate expense reports, provide custom reporting and analysis, and enable mobile receipt capture.<sup>7</sup> These

handy tools make business travel and T&E expense reporting easier for both employees and company managers, while improving expense management controls.

**8. Audit processes and receipts** — A company's internal audit group usually includes the T&E expense management process as part of its regular business review. However, it's wise to spot-check expense receipts, particularly for those items that are tax sensitive or of higher value. Periodic audits can highlight areas for improvement to T&E policies and limit the risk of fraudulent expense reporting.

In managing T&E expenses, senior executives should set a clear and visible examples of adhering to T&E policies. It may be tempting for employees traveling on business to be extravagant, but if senior leaders demonstrate restraint and good sense, their model behavior will resonate throughout the ranks.

**To discuss these topics in more detail, please contact your PNC Relationship Manager.**

<sup>1</sup> Press release: "U.S. Business Travel Volume Projected to Rise Over Next Two Years," Global Business Travel Association, April 14, 2015. [http://www.gbta.org/PressReleases/Pages/RLS\\_041515\\_USA.aspx](http://www.gbta.org/PressReleases/Pages/RLS_041515_USA.aspx)

<sup>2</sup> "How to Motivate Your Employees to Save on Business Travel," Dan Ruch, founder and CEO of Rocketrip, March 27, 2015. <http://www.youngupstarts.com/2015/03/27/how-to-motivate-your-employees-to-save-on-business-travel/>

<sup>3</sup> "8 Tips for a Best Practice Expense Process," Concur, 2013. <https://www.concur.com/sites/default/files/tp/pdfs/us-best-practice-in-expenses-assets-download.pdf>

<sup>4</sup> "9 Best Practices for Corporate Travel Policies," by Ray Tavares in TMX blog, October 22, 2014. <http://www.tmxgo.com/best-practices-corporate-travel-policies/>

<sup>5</sup> "How to Get Your Employees to Save Money on Business Travel," Inc., November 2014. <http://www.inc.com/rebecca-borison/how-companies-can-convince-their-employees-to-save-money-on-business-travel.html>

<sup>6</sup> "Managing T&E Spending with Corporate Card," *PNC Payment Solution News*, Winter 2014.

<sup>7</sup> "2015 Travel & Expense Management Trends & Outlook," Infographic and Study by Certify.com. <https://www.certify.com/WhitepapersAndMore.aspx>

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