Expense Reporting: Web Apps Gain on Spreadsheets

Arthur F. Rothberg, Managing Director, CFO Edge, LLC

At most organizations, expense reporting has always been a frustrating, time-consuming and costly function for all concerned. Employees tend to dislike keeping track of and accounting for all the major and minor expenditures that they make when taking a business trip; attending a seminar, convention or conference; or simply taking a client to lunch or dinner. For the Finance and Accounting departments, as well, the expense reporting function has tended to be both time-consuming and costly.

Companies need to compile expense information in order to incorporate it into their financial statements as well as to measure such things as the effectiveness of T&E and other expense categories. When cost cutting is needed, this is an area that is often considered for reduction.

The biggest problems for employees in reporting their expenses have been holding onto all of the receipts collected in conducting their business, as well as simply the amount of time involved in filling out their expense report forms and attaching the receipts. Many, if not most employees view this effort as diverting their time and energy away from doing their jobs.

The switch from paper-based systems to Excel or other spreadsheet-based reporting systems provided significant relief, in that spreadsheets allow digital input of expenses by the employee into a spreadsheet template, and the system automatically makes the required calculations, based on pre-determined formulas, as new data are added to the spreadsheet.

More recently, advancing technology in the form of web-based expense reporting systems provides a higher degree of automation, enabling substantial savings in time and effort for both employees and their organizations.

CFOs See Expense Management as an Important Focus
Managing expense reporting more effectively has become an important focus for many CFOs and controllers in companies across all industries. T&E expenses, for example, are the second-largest controllable expense in many organizations, as a proportion of total revenues, and thus are one of the areas where CFOs look for cost savings, especially during difficult economic times.

As a result of the appearance of web-based (or cloud-based) expense reporting systems, many companies have been morphing from spreadsheet-based systems to the new web-based technologies. And these newer technologies have been helping small and medium-sized businesses to more efficiently and economically handle employee T&E and other expenses.

Rising Investments in Advanced T&E Reporting Systems
A recent report from PayStream Advisors, a technology research consulting firm based in Charlotte, NC, details the extent to which companies are increasing their investments in advanced T&E reporting technologies. The study, "Travel & Expense Management Benchmarking: Improving T&E Processes

through Automation," is based on PayStream's 2010 T&E Expense Management Adoption Survey, and incorporates responses from more than 300 finance and accounting professionals across a variety of industries.

The survey showed that between 2009 and 2010 alone, the percentage of companies using automated T&E expense management solutions increased from 33% to 39%, and indications are that this figure will continue to rise substantially in the next several years.

The biggest single reason that companies are rapidly increasing their use of automated expense management solutions is the sharply reduced cost of such solutions vs. manual processes or a combination of manual and automated processes. In this regard, the PayStream survey results were dramatic: the average processing cost of a fully automated T&E expense management system among survey respondents was $10.68 per transaction, less than half the $22.15 per transaction for a totally manual process and 43% lower than solutions that encompass some automation.

This dramatic differential in T&E processing costs should motivate companies who have been on the fence about investing in automated solutions to "take a second look at the range of options available in the T&E automation space today," the report suggested.

In addition to lower processing costs, the PayStream study listed the following benefits of automation in T&E expense management (with percentage of respondents mentioning that benefit): lower processing costs (56%); improved visibility over the spend (55%); better enforcement of company travel policies (55%); quicker reimbursement of employee expenses (53%); improved employee satisfaction (36%); better fraud detection and prevention ability (28%); increased business credit card usage and rebates (26%); and better regulatory compliance (25%).

While many companies are today still using spreadsheet expense reporting and management solutions, spreadsheets are not the technology of the future, according to a white paper produced by Quocirca, an independent IT and communications research and analysis firm based in the UK. The study, "Avoiding the Shoebox: Managing Expenses in Small and Mid-Sized Businesses," was published in mid-2010, and was commissioned by Concur Technologies (www.concur.com), a vendor of web-based expense reporting solutions based in Redmond, WA.

"Although the spreadsheet still rules, it is a costly way of managing expenses," the Quocirca report concluded. "Transcription errors, fraud, lack of centralized data and therefore the capability to report on expense trends, along with the sheer effort required to check and consolidate spreadsheet-based expense claims should drive small and mid-sized businesses to review usage – and look for more effective alternative solutions."

In this view, online automated expense reporting and management systems are the wave of the future. Concur, for example, provides a T&E expense management solution designed to meet the needs of small businesses – Concur Breeze. It also offers Concur Premier, for medium and large businesses.

Mobile Applications on the Rise
A growing part of the automation of expense reporting is the increasing use of smartphones and downloadable apps to record and transmit expenses and scan expense receipts. Such applications are making it much more convenient to report expenses, often in real time, from wherever an employee happens to be.

One such system is Xpense Tracker from Silverware Software (www.silverwaresoftware.com). This system provides a complete range of expense tracking and reporting capabilities for both business and personal

use. The BizXpense Tracker version includes OCR and photo scanning capabilities that enable the employee to convert receipt data, take a picture of receipts, and transmit the information through a smartphone directly to the company's expense management system. This capability delivers the dual benefits of saving time and improving accuracy in reporting expenses. Data flow can be increased by programming in codes and expense categories in advance, resulting in greater efficiency in reporting.

Another significant mobile application for expense reporting is NeatReceipts from The Neat Co., Philadelphia, PA (www.neatco.com). This system is a portable scanner with embedded OCR and parsing software that extracts information from receipts, business cards and other documents, and organizes the information. The scanned documents can be searched by keyword. The expense-related information can be downloaded into the company's expense reporting and management system.

More and more mobile expense reporting applications are coming onto the market, and that trend will no doubt continue in the months and years ahead. You should take the time to investigate the apps that work best for your company.

A Case Study of Web-Based Expense Reporting
The benefits of using an online expense management system were discussed by Sara Barrington, CFO of Exosome Diagnostics, Inc., which has offices in New York, St. Paul, MN and Munich, Germany. Barrington, who was previously CFO of a much larger firm, used an online expense management system in her previous position, with extremely positive results. But when she came on board at Exosome and evaluated that previously-used online system (which was designed for larger companies), she did not think it would be cost-effective at Exosome, which is a small entrepreneurial company.

When Concur Breeze, which is tailored for smaller companies, was introduced into the marketplace, Barrington evaluated it, and given its benefits and its more affordable price, she purchased the system for her company.

Barrington has been extremely satisfied with the use of the online system. "It saves a lot in processing time – i.e., soft dollars for in-house people-hours," she says. "The employees love it. They feel much more in control of their own expense reports."

"When our people are on the road, they used to lose half of their cash receipts," Barrington says. "Now, instead of submitting the actual paper receipts, they use their cell phone cameras to take a picture of the receipts, then they throw the paper receipts away."

"We in the Finance Department love the system," Barrington says. "We have the ability to scan, fax, and upload receipts from an employee's mobile device. There's a much higher hit rate of receipts this way – and of getting the expenses in the proper format for us to review them. The system automatically uploads to QuickBooks in a very timely way."

The online system also enables employees to be kept up-to-date as to where their expense claims are in the path toward reimbursement, Barrington says. "They are aware of what's going on at every stage, and if some department is holding approval up, they know exactly where it's at. "

Barrington says that another benefit of the automated solution, in comparison with a spreadsheet solution, is that in spreadsheets, calculation formulas are not always updated in a timely fashion, and that creates distortions in calculations and expense reimbursements.

Barrington points to one potential downside to the web-based solution. "You're hostage to the cloud, and there is always the idea that if something goes wrong, you can get hacked." However, she says, companies

presenting these solutions always note that their solutions are 'robust' and that they include a high level of encryption."

When asked about any benefits of the in-house Excel spreadsheet solution she was previously using at Exosome, she said, "To be honest, realistically, there was not much upside to it. One slight advantage, she says, was some "ease of reference, of being more able to look back at history. The only advantage would be if you prefer (as many people do) to look at the paper, line by line, and be able to amend the spreadsheets."

Spreadsheet Solutions Remain Viable for Many Smaller Companies
However, despite the rising interest and enthusiasm surrounding automated online expense reporting systems, spreadsheet-based expense reporting has its fans. It continues to work well for smaller companies that can't justify the investment in a fully automated solution and for companies whose operations are not characterized by high numbers of purchase receipts.

In total, it seems that spreadsheet solutions are not going to disappear anytime soon, and that despite the obvious advantages of online systems, not all companies will buy into them until their effectiveness is accompanied by lower price tags.

When current in-house resources are focused on core financial activity, companies may consider contracting with an outside resource experienced in assessing the requirements for and implementing an expense reporting solution.

References
Avoiding the Shoebox: Managing Expenses in Small and Mid-Sized Businesses; Quocirca (commissioned by Concur Technologies); July 2010

Travel & Expense Management Benchmarking: Improving T&E Processes through Automation; PayStream Advisors (underwritten in part by Concur Technologies, CyberShift and Chrome River); 2011

About CFO Edge
CFO Edge is a leading Southern California provider of interim CFO services. Based in Los Angeles, we are a group of experienced chief financial officers who engage with CEOs and CFOs on demand to address strategic planning, business management, and day-to-day financial operations challenges. Our seasoned professionals deliver services as interim CFOs, part-time CFOs, project-based CFOs, recruitment-to-permanent CFOs and interim-to-permanent CFOs. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 626.683.8840.