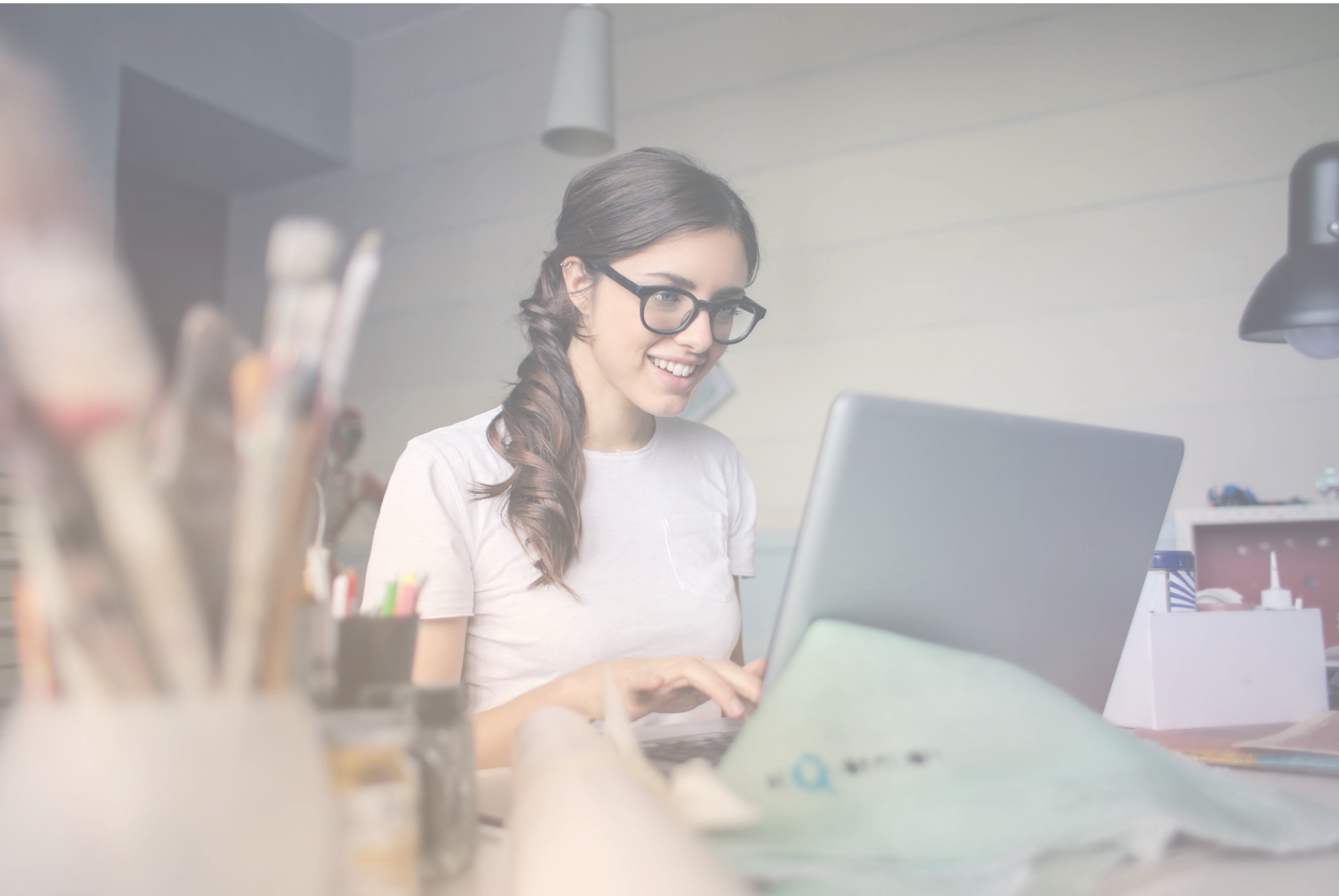
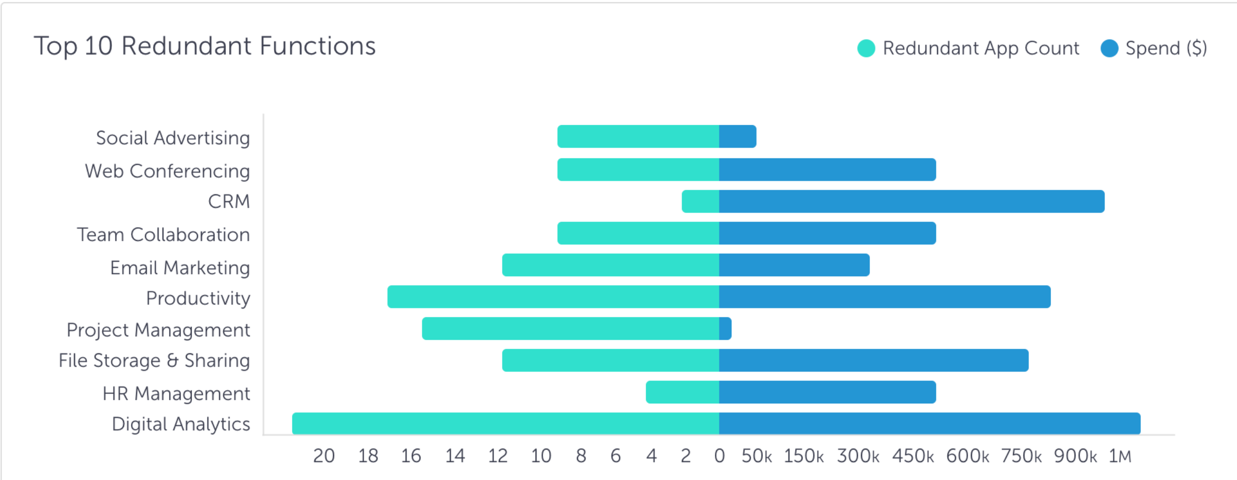
Report: Choosing the best expense and reimbursement system for your company

Teampay



Introduction

Choosing the right tools, systems, and software to manage employee spending can be a complex and confusing project. From T&E to one-time project expenses and office purchases to design services, employees need flexibility to spend when the business requires it. But poor controls can lead to inappropriate, redundant, and even fraudulent expenses. Unintentional redundant spend on software alone can become an expensive waste of company resources.



To curb inappropriate expenses and fraud, companies put processes and complex systems in place that slow employee spend down. This satisfies the need for company control and expense tracking, but throttles company growth by making legitimate business purchasing more frustrating and less efficient.

Companies need control and reasonable oversight. Employees need to be empowered to spend appropriately.

So what is the best system to deal with expenses and reimbursements? How does a company balance flexible spending options for employees while retaining company control? This report will outline the pros and cons of the major models to help determine which model is right for your business. We'll cover the risks and strengths of reimbursements, the shared-card and multi-card models; patchwork systems; heavy procurement; and other software solutions that manage company spending.

The Reimbursements Model

The most basic form of employee spending is the reimbursements model, where employees pay out of pocket and then submit proof of purchase in order to get reimbursed. In this system, employees are given expectations for spending and are responsible for keeping track of their own charges.

This is an obviously imperfect system. Most simple expense systems are rife with human error and create considerable challenges for companies.

- When reimbursements are not submitted in a timely manner, **monthly close will be delayed or inaccurate.**
- Employees often lose receipts and forget information relevant to reimbursements, **creating auditing problems .**
- Processing and reconciling of reimbursement creates additional **manual work** for lean finance teams.
- Although reimbursements can be "pre-approved" by the company, they **lack real-time-visibility and can throw off working capital ratio.**

Reimbursement systems have pros and cons for employees as well. They can frustrate employees because they are fronting their own money, but some like that they personally receive their credit card's points or rewards. They also frustrate employers who are trying to keep careful track of monthly spend. Worse, some employees look to game the system — 14.5% of all asset misappropriations investigated in 2012 involved expense reimbursements fraud.

Today, software for reimbursements and expenses has eased some of the frustrations with this system. Employees can now submit photos of receipts instead of filling out paper forms, for example. And in emergency scenarios having a reimbursement policy can empower employees to make good business decisions. But relying on reimbursements alone is too chaotic and disorganized to support most companies' spending.

Bottom line: Reimbursements may be part of the picture, but they can't be the whole thing.

The Shared-Card Model

In a shared-card model, a company has a single company card and that card is kept under lock and key by one person. If anyone needs to purchase, they go to that person and ask them for permission to use the card. This solves the problem of employees having to spend their money upfront, and helps companies' manage their monthly spend. The most obvious and best use case for this model is a tiny company with only a few employees. For larger companies, the “shared-card” model might look more like one card per department, held by a single manager or director.

The shared-card model tracks spend well, but only after it occurs. The keeper of the card can look at current expenses and evaluate employee requests before any purchase is made. In reality, however, that approval **creates a bottleneck for spending**, especially if employees travel, and expenses aren't always approved prior to purchase.

This means that employees use spending guidelines and their best judgment when spending on company cards, which can make spending decisions inconsistent and opens the door to fraud.

An undeniable benefit of this model is that it keeps all company spending in one place — on a single credit card statement. For small companies, this can really simplify reimbursements, expenses, and spend. At the end of the month, simply check to see that all ducks are in a row.

But reconciliation and granular spending analysis is difficult to do with one card statement. Who purchased what, and why? Was that software charge the end of a free trial subscription or a legitimate purchase? Unless employees have perfect memories and are able to recall anything they purchased, actually tracking the who, what and why of expenses for more than a handful of people is not possible.

Bottom line: At companies with fewer than ten employees, monthly spend under $5,000, or little to no travel obligations, the shared-card model is a low-friction way to deal with expenses and reimbursements.

The Multi-Card Model

A logical step to eliminating some problems with the shared-card model is the multi-card model. Like the shared-card model, a company gets a corporate credit account, but this time the number of cards in circulation is much higher — theoretically up to every single employee, but more likely specific departments, senior executives, and employees with frequent business trips.

This removes the major bottleneck of the shared-card model, and can be advantageous when traveling, when making recurring purchases like office supplies, and when meetings take place with clients where an employee is expected to foot the bill.

However, with this lack of control comes **higher risk.** There is the possibility of fraud, and even well-intentioned employees may not realize the risks of their spending.

- Expense policies are subject to interpretation thus causing confusion and leading to **misspending**
- **Duplicate subscriptions and purchases** can easily occur
- **No pre-approval system,** emboldening opportunistic employees to commit fraud (Misappropriations fraud — including fraudulent purchasing and expense reimbursements — made up 85% of occupational fraud cases studied in 2014's global fraud survey.)

As with the shared-card model, all expenses are still in the same system and can be checked in one place. However, the same problem with the shared-card expense reports still stands: **none of the expenses have robust information attached beyond what's available for a standard charge.**

Bottom line: While the multi-card model takes away the bottleneck of the shared-card model, it opens up companies to a higher risk of fraud. Every company has to lay out strict policies on spend and dedicate resources to swift reconciliation for each expense across each card. A very small company might have success with this model, provided that there are regular dives into card statements.

Heavy Procurement

Depending on company size and industry, a business may have a more intense process for procurement. There might be a veritable manual of guidelines on vendors that form a rigid procurement ecosystem. To manage it all, there may be an entire team or department that is responsible for procurement, or at least for vetting purchases and vendors. This can be necessary for large enterprises, government agencies, academic institutions, and other organizations that require strict spending protocols.

But it is a slow and bulky way to deal with procurement. Often it works best when exact material needs can be calculated and ordered ahead of time, but even so, procurement professionals spend on average 80%–90% of their time on suppliers that represent less than 5%–10% of spend and business value. That means that heavy procurement is not fast enough to meet many smaller companies' needs.

However, even in heavy procurement systems, there is additional spending that employees will do outside of the dedicated procurement team. This spending will need its own protocols and solutions, like pay orders reimbursements, and company cards.

Bottom line: Most companies can and should avoid dedicating an entire department to dealing with a complex system of purchase orders and spending. Enterprise and other large institutions may need heavy procurement, but discretional spending will still require a separate solution.

Patchwork Systems

Most companies with more than a few employees have a patchwork system of tools and procedures to take care of their reimbursements and spending. This might mean, for example, there are some company cards that are tracked through a card provider. But there is also have expense software and a small team dedicated to making reoccurring orders and sorting through larger expenditures.

This can take care of some problems, the biggest of which is flexibility. With different options on ways to spend, employees can get what they need, while employers can retain control on parts of the process and start automating others.

One of the biggest problems that a patchwork system creates is that there are now many layers involved in looking at a company's entire spending profile. Part of the information is siloed in a card statement, and part of it is tracked through expense software while another part of it is going into the procurement team's Excel setup. **This makes it difficult to get an overview of where company money is going.**

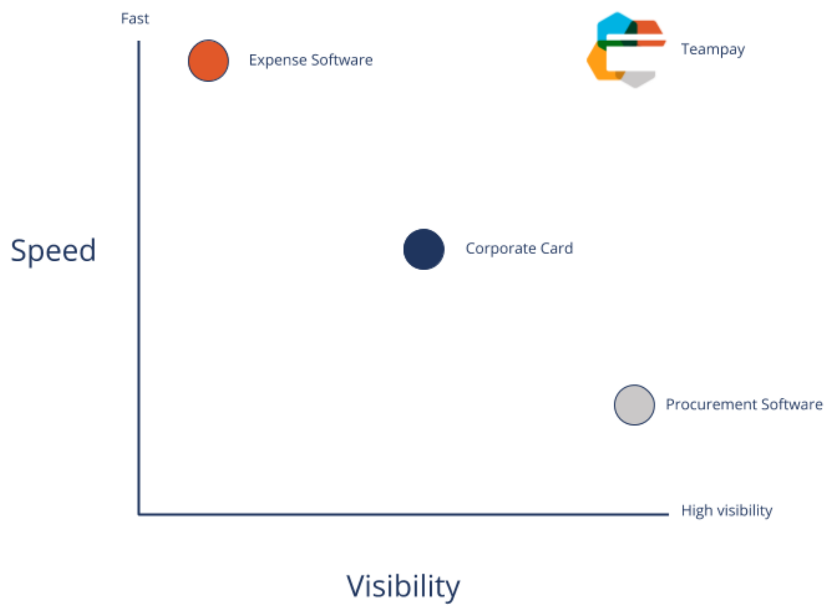
It can also create problems for employees, who may not be sure when to use which method and what software is used for what type of spending. Procedures manuals can balloon to deal with all the different modes of spending, and this overhead can be frustrating.

Bottom line: Patchwork systems are better than trying to use one system alone for companies with a range of spending needs. They do come with their own problems but are far preferable to using one option alone, and this is why most companies use a patchwork system.

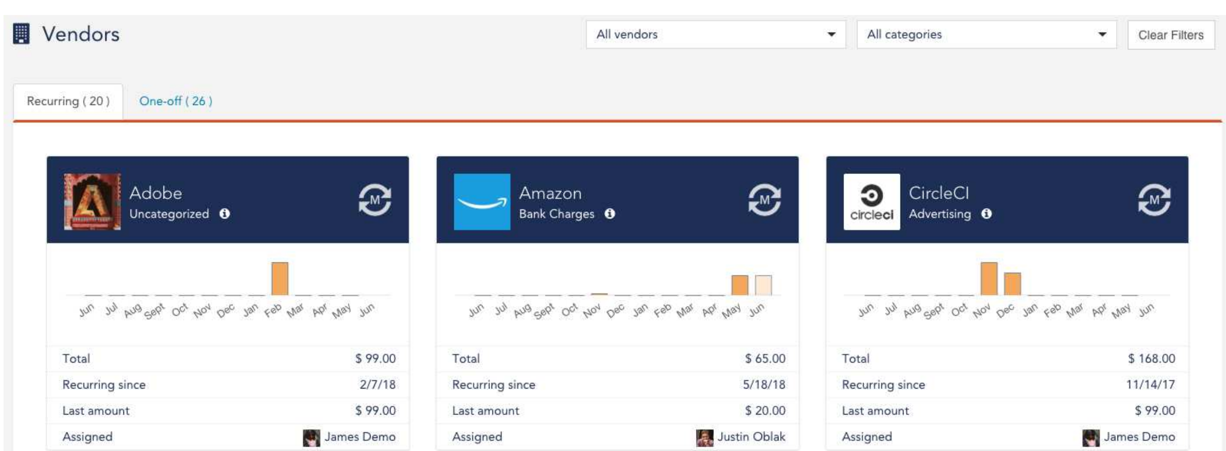
The Teampay Solution

Teampay is a hybrid model that supports multiple modes of spending and has customizable approval workflows. Team members can **seamlessly request and receive approval** for any spending through Slack, a simple web interface, or Chrome browser. For online purchases and subscriptions Teampay offers virtual cards; for T&E Teampay offers physical cards (plastic); and for more complex orders Teampay offers a lightweight purchase order.

Moreover, Teampay allows administrators to create custom rules to control spend. An example rule might be: Send all marketing requests to the head of marketing for approval, or something as complex as automatically approve all c-suite executives for all purchases under $1000.



Teampay also allows for a centralized vision of company spending. The system is designed to collect a little or as much information requested by the finance team. Most users ask for GL codes at the time of the request. Additionally Teampay alerts user of duplicate purchases, and higher than average pricing.



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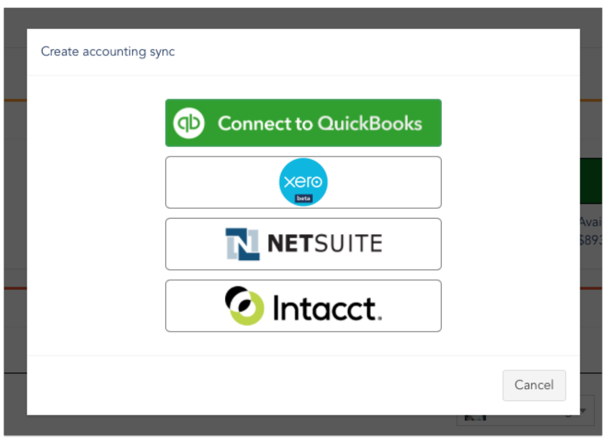
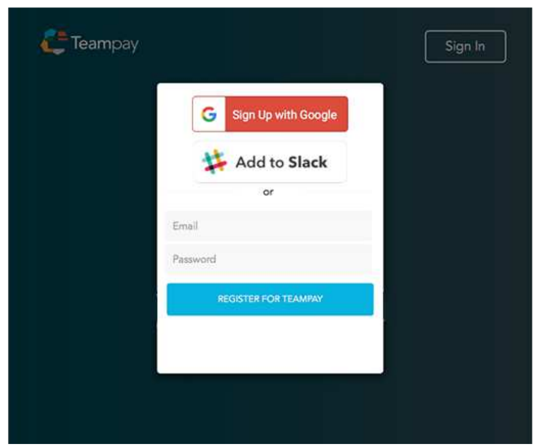
The Teampay Solution (continued)

Teampay also integrates with a company's existing tools to provide a **holistic solution** rather than a patchwork approach to spending. Teams **don't need to learn new tools** to be able to spend through Teampay. For finance teams, Teampay syncs with most major accounting and ERP software.

However, if a company that needs the type of rules, oversight and bulk procurement that a heavy procurement system provides, Teampay won't be the solution that ends your pain points. It may have a place in that system, but won't be able to replace a large procurement system.

Bottom line: Teams that rely on multiple systems or a network of tools and procedures will benefit from simplifying their spending, expenses, and reimbursements with a system like Teampay. The automation and tracking offer superior visibility, but the software doesn't limit or frustrate employees' legitimate spend.





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Conclusion

Good procurement, expensing and reimbursement policies are part of an efficient business that supports its employees. The modern workplace brings with it certain challenges for spending that require companies to move towards more user-friendly solutions, without losing control of employee spend.

Rather than relying on a franken-system to deal with spending needs, using Teampay to consolidate a huge chunk of regular spend will enable employees to spend responsibly while improving visibility and strengthening your existing ecosystem of tools.