



EXPENSE MANAGEMENT

How much are expense reports costing your business?

Expense reports aren't just something your team hates dealing with. Those reports are also a considerable time sink and a significant cost. Let's take a look at just how much expense reports are costing your business, and then we'll go over what can be done about them.

Do the math of expense reports

Let's take an average (hypothetical) company to get a peek at how much it can cost to file expense reports. You can use the same math to get a rough cost for what your own company may be spending each year filing expense reports.

For our company, let's assume there are 100 employees, and 20% of those employees will file expense reports. And each of those expense report filers will file 2 reports on average per month. So for our sample company that's 20 employees who file expense reports. That works out to 480 expense reports filed per year. That same report also found that the average expense report costs \$38.72 to file, if there are no mistakes made. But unfortunately **19% of expense reports have errors and take additional time to fix.**

All said and done, our example company is filing 480 expense reports in an average year, at a cost of \$38.72/report for **a grand total of \$18,500**. Remember, that's just the cost of completing and filing the expense reports, if they're all correct and on time.

Then there's the "hard cost" of licensing expense management software. These run about \$20 per user per month. You're talking about an extra \$4,800 per year for software that your employees hate using—and are often using incorrectly.

This company of 100 employees is spending at least \$23,000 per year filing expense reports. And that's assuming error-free expense reports, and that only 20% of your employees ever file reports. Try the math for your company.

Expense report cost formula

Take the cost of filing your company's expense reports and add the cost of your current expense management software.

COST OF FILING EXPENSE REPORTS

Number of Spenders × 12 Months × 2 Reports × \$38.72

+

Number of Spenders × 12 Months × \$20

COST OF EXPENSE MANAGEMENT SOFTWARE

Hidden costs of expense reports

Beyond the actual cost of the software and each individual expense report, there are hidden costs buried in the process of expense reports eating away at your bottom line. Large or small, the losses you're suffering can be absolutely devastating, especially if they go unnoticed.

Fraud

According to the 2018 annual report by the Association of Certified Fraud Examiners (ACFE), internal fraud "is likely the largest and most prevalent threat" to organizational resources. Theft by employees and other insiders costs companies an estimated 5% of their annual revenues—or \$4 trillion in total global fraud loss. How much are you losing?

Expense report fraud

Employees most often get away with fraud by altering or fabricating evidence. The ACFE found that 55% of fraudsters concealed their crimes by creating fraudulent physical documents. Creating false expense reports or altering existing reports can be as easy as a few keyboard strokes or some white-out. Your outdated expense reporting methods can enable fraud and cost you thousands.

T&E fraud

The most recent Report to the Nations on Occupational Fraud and Abuse said that T&E frauds alone account for 14.5 percent of occupational fraud. This number is increasing as employees find it easier and easier to slip in personal perks with their corporate card without notice.

"The tech of today makes it really easy to make up documents. I book a flight on Southwest to Las Vegas from Orange County on an alleged business trip, get a quote of \$226, and Southwest sends me the itinerary, which is what most people submit for their expenditures. I go into Microsoft Word and change the \$226 to \$426, and — boom! — I just made \$200."

Craig Greene, forensic accountant

Error

Even if you give your employees the benefit of the doubt, a simple transposed number can change a \$49.50 client meal to a \$94.50 client meal. Sure, \$50 may not seem like a lot, but it's still company money being lost due to error. What about the error of lost or estimated receipts? Or expense reports being submitted late, dipping into a future budget? The confusing mess of expense reports can invite human error that grinds the gears of your operation and loses both time and money.

Reimbursement

One of the stickiest points in the expense reporting process is issuing reimbursements for employee purchases. Mileage, receipts, cash payments, and more need to be handled with reimbursements and are subject to the fraud and error risks discussed above. Reimbursements adds yet another step to the ever-growing workflow of expense reporting, making it more complicated and time-consuming to close your books.

Manual vs. digital expense reporting

For decades manual expense reporting has been the prevailing practice. You print off expense reports, staple on receipts, run them around for approval signatures, return corporate credit cards, and stick the stack into an inbox. Days later it will be processed by the accounting team, confirmed and re-authorized, and if you're lucky, the budgets will reflect the expenses in a week or two. You have a paper trail and the pleasure of chatting with coworkers, but manual expense reporting is notably inefficient.

Digital expense reporting is faster, more efficient, less prone to fraud, and easier for everyone involved. We mean more than just entering receipts into a software program. What if digital expense reporting meant you didn't need paper trails and playing musical chairs around the office? Divvy is the first free, fully-automated expense management system that gives every employee a physical and/or virtual card. They get to spend with their own power and control, but every purchase is categorized into a budget and automatically uploaded into a visual, real-time web dashboard. It's called swipe to book technology. Everything is automated from the swipe of a card, to the spending report in your accounting software.

Divvy eliminates the need for expense reports

With Divvy, you can say goodbye to manual expense reports forever. Gone are the days of tracking down receipts and interrupting your busy workflow to file an annoying expense report. With Divvy's smart card, you just spend. Transactions come into the app immediately, so everything is tracked by you and your finance team in real-time.

The finance team can still collect the info they need (receipts, categorization, etc.). The human element is no longer a factor, as everything is done automatically. This virtually eliminates the risk of errors in reports and the risk of fraud. And on top of all of that, Divvy is an expense reporting app that's free to use.



Divvy is a fully-automated budgeting and expense management platform that gives you instantaneous control visibility into company-wide spend. Sign up for a demo to learn more.