HOW A TIMELY EXPENSING POLICY CAN AVOID FINANCIAL HICCUPS
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Expense reports can be a benefit and burden on both employees and company financials. On one hand, employees are eager to be reimbursed for business expenses, and on the other hand, it can become a hassle and a mess on the books if the process isn't simple and efficient.

Duplicate Expenses

For non-reimbursable expenses, there is a risk of duplicate expenses being reported due to the actual expense hitting the books in one month, and the employee's expense report hitting at a much later date. These are not always caught, and if they are, it takes time to confirm it is a true duplicate. This can be avoided by encouraging employees to submit expenses as they occur.

P&L Concerns

For reimbursable expenses, not submitting timely can cause issues when completing profit and loss (P&L) analysis. It is common for employees to hold onto expenses until several have accumulated, and then submit all at once. This can cause swings in expenses, and may cause unnecessary concern requiring accountants to have to research the cause. For accurate P&L reports, expense reimbursements should be submitted in the month they occur.

1. Introduce an expense reporting software. A user-friendly software can help speed up employees submitting their expenses because it eliminates the need for expense forms to be completed. Creating a simpler process will make it easier to submit expenses as they occur.

2. Create and enforce an expense reimbursement policy. Give deadlines for submitting expenses and require receipts to be submitted. Developing a consistent schedule will provide guidelines for employees to remember and abide by.

3. Make sure reimbursements to employees are being made quickly once they are submitted. If expenses are approved and reimbursed within a week, employees will be motivated to submit timely to receive their money quicker.

4. Provide clear guidelines for how different types of expenses should be coded. It's very important that all employees are coding specific expenses the same way. For example, if two employees go to lunch and one employee codes the expense to "meetings" and the other codes it to "employee development" there will be a reporting issue. Communicating how certain expenses should be coded will help create consistency in tracking and reporting.

With a system in place and clear guidelines, submitting employee expenses can be a timely process to be easily reported on. To learn how the Anders Outsourced Accounting Services Group can help implement an expensing policy and reporting software in your company, contact an Anders advisor.