Employee Expenses Tracking And Abuse Avoidance



Not that long ago the new Liberal government released their first budget. In that budget were many items, including a brand new deduction, the *New Teacher and Early Childhood Educator School Supply Tax Benefit.* This allows new teachers to offset their out-of-pocket expenses when they purchase up to $1000 worth of school supplies each year (providing up to $150 cash benefit). $150 may not seem like a lot of money to an individual but often, as they say, it is the thought that counts.

As an organization you may provide a number of your employees with the opportunity to claim reimbursement for expenses they incur on behalf of the work they do for you. The most common expenses employees can usually claim include:

- **Travel and Entertainment** – including Transportation and Accommodation; mileage, gas, parking, taxies, car rentals, airline tickets and hotel
- **Food and Drink** – including food when travelling, entertaining or meeting with clients, customers, suppliers and so on, when working overtime or extra hours and when attending events, conferences, meetings
- **Supplies, Equipment and Uniforms** – including office supplies or other items such as decorative office items, business cards, phone cards (especially for travelling employees),
- **Education and Learning** – including reimbursement for training, education and professional development tied to both hard and soft skills. In some cases the organization will provide a full or partial reimbursement, sometimes dependant on the attendance or successful completion of the educational opportunities.
- **Working Expenses including Home Office Costs** – Travelling, flex and virtual workers will have expenses may have costs related to their working location. These costs include printing, Internet usage, phone cards and so on. As part of your agreement with the employee be clear regarding what costs, including partial costs, you will provide compensation.

Reimbursements Timelines

- In some organizations employees are required to first incur the expense and then seek reimbursement by providing prof of costs using acceptable processes
- Other organizations, for some items, will provide a ‘per diem’ or pre-approved amount
- In some situations employees are allowed to make a request prior to the expense and be paid up front.

In some cases your employees may not be in a position to pay out of pocket and be reimbursed later, especially part-time or precarious workers. If your organization is able to have a floater expenses fund, with clear procedures on how to access the money, you can allow some employees the option of being fronted the money upon request.

Common ways employees try to defraud employers on expenses include:

- Submitting personal expenses as organizational expenses
- Duplicating expenses (claiming the same expense twice, sometimes in two different submissions and/or using the same receipt)
- Altering or inflating expenses

In some instances fraudulent expenses are purposeful and in other cases the result of misinformation, misunderstanding and/or changes that employees did not pay attention to. Take the example of an employee who works late and an organization with a policy that says if an employee works late the organization would provide a meal. Knowing this the employee takes a break from working and goes out to a nearby restaurant. Not wanting to eat alone the employee calls a partner/spouse and then submits the bill for both meals.

In some organizations this might be acceptable where as in others it would not be. Further to this example, consider that the organization has a policy that once a month employees who work late can take a spouse/partner out for dinner on the organization’s dime. Hearing about this opportunity a single employee takes a friend for dinner and then submits the expense. Unless the parameters for the reimbursement are clear confusion could lead to conflicts down the road.

The Best Ways to Minimize Mistakes and/or Fraud For Expense submissions

A 2012 Association of Certified Fraud Examiners report found that 14.5 percent of fraud in the workplace is tied to expense reporting. Trust is an important commodity in the workplace. It is important for your employees to feel you do not believe they are trying to rip you off. However, at the same time you want to ensure you are not getting ripped off. Here are a few tips you can implement to help make balancing trust with caution easier.

1. Ensure all parties have a clear understanding of allowable expenses, spell out as much detail as you can in your written policy guidelines.
2. Inform all employees of processes, how to complete forms, to whom to submit them and any dollar amounts. Have and enforce clear expense reporting timelines.
3. Have managers and company auditors scrutinize expenses, including matching up dates of claim with dates on receipts and the employees attendance and travel records.
4. Have an expense pre-approval process and requirement for expenses over a certain dollar amount
5. Clearly inform employees and let them see that expenses are being scrutinized
6. Use data analytics to review expense submissions to look for duplicate information or patterns that fall outside the norm
7. Make it easier for employees to track expenses by providing them with tools and apps that allow them to immediately record and transmit expense information and receipts
8. Provide company credit or debit cards, preloaded with specific amounts, and review all transactions weekly.

Back to the Liberal government’s new teacher tax deduction: When your employees feel trusted and valued they are less likely to purposely rip you off. Consider

identifying a small expense item you can allow your employees to reimburse back to the company as a gesture of consideration. This should be very specific to your organization, location and employees so they feel you are rewarding them.

Organizations who want to motivate their employees to submit expenses quickly, completely and accurately should begin by taking the time to train their employee on what are acceptable expenses and the proper process for expense reporting.