

Long Island Business News

Tracking travel and entertainment

By: Bernadette Starzee April 26, 2016

As a steady surge of business trips are being logged across the country, business owners should review their travel and entertainment policies. Accountants advise taking a careful look at guidelines for employee reimbursements, expense reports, spending limits and uncovering fraud.

Long Island's corporate travel and entertainment activity is livelier than ever, said Diane Giordano, a partner in the tax and business services department at Marcum in Melville. Giordano's insight is in tune with the Global Business Travel Association's findings that U.S. business travel will continue to increase at a stable rate over the next two years, resulting in a 3 percent rise in spending both in 2016 and 2017, bringing the total spend to \$310 billion in 2017.

"Most businesses realize that employees need to have some element of travel and meals in order for a business to grow," Giordano said.

This means budgeting the company's expenses, which includes allotting funds for employee reimbursements.

"Some companies will give a draw – an advanced fixed payment – against submitted expenses," said Steven Marcus, managing partner at Gettry Marcus CPA in Woodbury. "Others may give a monthly expense allowance. For those employees that do entertain, companies may have a limit on what the employee can spend for meals, which basically controls the type of restaurant they may take customers to."

Reimbursement policies depend on the industry, said Amanda Sexton, accountant/valuation analyst at Markowitz, Fenelon & Bank in Riverhead.

"In the professional services industry, for example, there is an expectation for employees of all levels to bring in new business and maintain existing relationships, which includes 'wining and dining' clients and building their professional network," Sexton said. "The monthly 'limit,' if any, will vary depending on the company, but could range from \$100 to \$500" per employee.

Though providing a monthly limit is appropriate, giving an employee a set allowance is not always encouraged, said Yigal Rechtman, a principal of forensics and litigation at Grassi & Co. in Jericho. "Companies will save money when they give employees the exact money being spent because they can control it better. If you give someone a monthly allowance, they will spend it."

To assure employees understand their company's T&E policy, accountants say policies must be succinct and as familiar to employees as the company's mission.

“Most well-run companies have a T&E policy that is in writing and is usually included within their employee manual,” Marcus said. “This policy may change from time to time based on the economy or the financial state of the individual company.”

Companies must reintroduce their policies to staff on a yearly basis, or at least every other year, making sure each employee acknowledges the policy, especially if there have been updates, Rechtman said.

However, many businesses struggle with T&E abuses to varying degrees, according to a March 2016 survey by Robert Half

Management Resources, which asked 2,220 chief financial officers from a random sample of companies in more than 20 of the largest U.S. metropolitan areas, “Have you seen inappropriate expense report requests increase or decrease in the past three years?” The survey reported little sign of decline, with 65 percent of CFOs reporting they have continued to receive “outlandish requests” over the years and 20 percent admitting they have actually seen “somewhat of an increase” in this inappropriate activity.

Accountants are focused on accurate record keeping when tracking expenses, as well as promoting an anti-fraud message.

“A business must have employees complete an expense report that a top manager approves prior to submission,” Giordano said. “The reports need to include date, description, whom the meeting was with – and copies of receipts need to be attached.”

Sexton advises her clients to use monthly reimbursement forms, using a company-approved template with approval sign-offs, to request a summary of the meeting or event and to ask questions. “The more frequent and current the reimbursement, the more likely the employee will have all of the documentation, can respond to any questions about the expenses and the faster one can identify and mitigate or correct any issues of fabricated or duplicative requests,” Sexton said.

Business owners must remain vigilant, noted Rechtman, adding, “They must always look at receipts and let their staff know they are looking at those receipts.”

The good news is that the fraud in this area has more or less “flattened” compared to all of the reported frauds, Rechtman said. “T&E fraud occurs between 12 and 15 percent of all corporate fraud cases that are reported,” he said.

The most effective way to find fraud is to establish an anonymous tip line, Rechtman said.

“Publish the tip line — put it in break rooms and send it out with everyone’s W-2 forms,” he said. “Get it out there and let employees know calls will remain confidential. This sends a message that the company is serious about uncovering fraud.”

Another effective way to prevent fraud is to have management review expense reports on a surprise basis.

“If this is done it sends the message that one must be accountable for their T&E reimbursement requests,” Rechtman noted.

Additionally, create a timeframe for submission of receipts, usually within 45 days, said Rechtman, noting that untimely submissions can be a red flag.

“Some companies do not reimburse if expenses are not submitted [in a timely fashion],” Giordano said.
“For example, all March expenses need to be submitted by April 30, etc.”

T&E policies are all about the tone at the top, explained Rechtman.

“Employees will model based on what the management/ownership does,” he said.