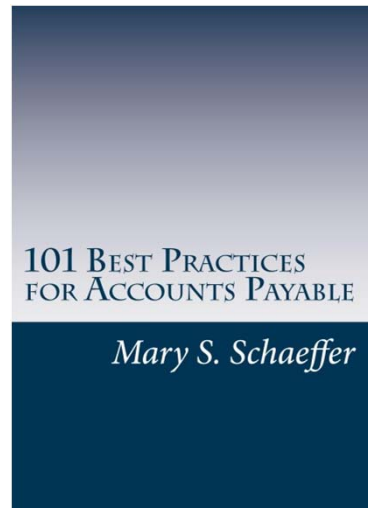




Travel & Entertainment Shenanigans: Games Employees Play and How to Stop Them

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Agenda

- Why Shenanigans Hurt
- Problems Solved by the Detailed Receipt
- Other T&E Shenanigans
- Best Practices to Address These Issues
- Closing Thoughts



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Why Shenanigans Hurt

- Fraud
 - Many larger frauds uncovered when investigating a small T&E fraud
- IRS
 - Your accountable plan status
- Profitability
 - Frauds tend to grow
- Morale
 - People talk
- S-Ox
 - Non-compliance

What We're Not Talking about

- Dubious judgment calls
 - The picture of chicken wings
 - The cat that went on the business trip

How Employees Play Games

- Two main approaches
 - Inflate actual expenses
 - Claim reimbursement for fictitious expenses
- Common methods
 - Mischaracterizing expenses
 - Requesting multiple reimbursements for the same item
 - Overstating expenses
 - Inventing expenses

The Detailed Meal Receipt



Who Requests Meal Receipts?

- We require all receipts 58.90% (not necessarily meal receipts)
- We have different receipt requirement for meals? 30.06%
- We are considering requiring a detailed receipt for meals showing exactly what was ordered 26.54%

Source: AP Now reader survey 2012

The Fraud/Shenanigans Spectrum

- Policy misuse
- Policy abuse
- Fraud

The role of corporate culture

Some Absurd Readers' Stories

- Picture of chicken wings for documentation
- 12 beers and a plate of wings (for job discussion)
- Dog kennel fees (approved) dog spa treatments – NOT
- Helicopter ride in Hawaii while at a conference
- Conference in France, per receipts dates, times, locations, could see they toured France during the times they should have been attending the conference. The person also requested reimbursement for cigarettes on gas receipts. Fortunately, we had a French dictionary and a map of France.
- Friday night – 2 adult meals; 2 kiddie meals

What the Detailed Meal Receipt Can Show

- If liquor was ordered (important for those on grants)
- How many people attended
 - (2 or 4??)
- Who attended
 - Adults or kiddie meals
 - Friday and Saturday night meals problematic
- Was the meal appropriate
 - 12 beers and a plate of wings
- The growing Gift Card problem
 - Restaurant gift cards added to meal

Problems the Detailed Receipt Won't Address

- Please ring this drink up as an appetizer
- Did the person really pay that much cash
- Taxi rides continue to be problematic

Receipts and Checking

- Getting detailed receipts doesn't mean everyone has to be checked
- Spot check
 - 5-10 % randomly
 - Known abusers
 - C-level execs (if requested)
 - All high \$ reports

Other T&E Shenanigans



What Flight Did the Employee Take

- Purchase two tickets
- Use the cheap flight
- Cancel the expensive flight
- Submit for the expensive flight

- **Solution:** Insist on the corporate card

Proving the Trip Was a Conference

- Employee signs up for online training
- Books airfare and hotel
- Submits for a “conference”

- **Solution:** Require copy of Conference book cover – but most conferences don’t give books anymore
- Require copy of badge
- Check listing online
- Make managers responsible

Playing the Tip Game

- Adding a greater tip to the reimbursement copy of the receipt than was actually left.
- **Solution:** Insist on the corporate card. Match amount to what is on the card statement, not on the handwritten slip.

Playing the Mileage Game

- Seeking reimbursement for inflated mileage when using own car
- **Solution:** Get an estimate of mileage from mapquest or other online services.
- Utilize one of the third party T&E models that incorporates a mileage checker

Travel Collusion

- Two employees travel together and both put in for reimbursement
 - Difficult to catch
- Solution: Insist on corporate card – where appropriate (i.e. taxi)
- Have a corporate policy regarding multiple employees attending the same event and driving

Flying First Class

- An employee flying first class when policy prohibits
 - Tough to catch
- Solution: Look at price of ticket
- Make sure policy clearly delineates who can fly first class and when
- Make manager responsible

Falsifying Receipts

- Employee alters original receipt
 - Can be difficult to uncover
- **Solution:** Require original receipts in paper based environment.
- In automated environment where receipts are scanned before they are sent, request sampling of originals each month
- Give processors the right to question any receipt
- Insist on corporate card

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Double Dipping

- Submit more than once – i.e. T&E and petty cash or multiple expense reports
 - Growing problem with scanned receipts – sometimes an honest mistake
- **Solution:** Insist on original receipts
- Make managers responsible for checking
- Set policy about what should be reimbursed in T&E and what in petty cash (if you have one)

Who Gets the Points

- 1) If the points are awarded for individual travel, typically the points go to the individual
- 2) If the points are awarded for setting up a meeting, typically these go to the company as these can be quite high
 - 1) Area of concern
 - 2) Possible bribery

Staying with Family: What's Right

- Take them out for a meal to thank them
- Problem: Conforming to IRS Regs
- Not addressed in Pub 463
- Be aware it could be an issue

Best Practices for Dealing with T&E Issues



Problematic T&E Approaches

- What about a flat fee for a trip
 - You need the details for IRS compliance
- What about a one-page T&E policy
 - Asking for trouble
- We don't *really* need to include all the names of attendees at a business event do we?
 - Only if you want to deduct the expense on the organization's tax return

Best Practice Approach

- Assume the worst
 - Common sense severely lacking
- A detailed written policy
- Incorporate consequences
- Insist on use of corporate card
- Get detailed meal receipt
- Receipt for everything

Best Practice Approach Con't.

- Make managers responsible
 - Consequences
- All reimbursements made via ACH
- Any checks for events, etc. mailed
- Enforce policy uniformly
 - Uneven enforcement encourages game playing
- Regularly update policy
 - Any time there is a change or snafu

More Readers' Stories

- <http://ap-now.com/expensescams.html>

Thank you/Questions



Questions always welcome.
To share your thoughts and insights

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About Mary Schaeffer

- Mary Schaeffer is a nationally recognized accounts payable expert. Following a career in finance she turned to writing and consulting. For the last 15 years she has been researching and writing newsletters for the accounts payable profession. Currently she is the Editorial Director & Publisher of *Accounts Payable Now & Tomorrow*, (www.ap-now.com) a fee-based newsletter published by CRYSTALLUS, Inc.
- She also handles most of the firms consulting assignments (focused primarily on AP issues) often working with other well-regarded professionals. Her blog, at <http://ap-now.com/blog/> is read by over 15,000 professionals each month.
- Ms. Schaeffer is the author of over 15 business books including *The CFO and Controllers' Guide to Accounts Payable* and the recently published *Fraud in Accounts Payable: How to Prevent It*. John Wiley & Sons is the publisher of most of her books.
- She also is a regular contributor to the AICPA's Corporate Finance Insider.
- Ms. Schaeffer has a BS in Math from York College (CUNY) and a MBA in Finance from New York University.
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Upcoming Webinars (more topics to be added shortly)

- **September 12:** Unclaimed Property
- **September 25:** T&E Best Practices to Ensure IRS Compliance and Prevent Fraud
- Coming this fall: Accounts Payable Best Practices, Payment Fraud Prevention and Detection and more. Use the link below to check for dates, which will be scheduled shortly.

ap-now.com/accountspayablewebinars.html

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