



## **Business expenses can be an expensive business**

**June '09**

High profile examples of money mismanagement, such as the recent MP expense scandal have highlighted how important it is for organisations to keep track of who is spending how much and on what.

While the MPs may have had access to larger sums of money, and seemingly more lenient limitations on justifiable expenses, than most employees, the lessons learned from the lack of accountability and reporting structures within the process are applicable to businesses of all sizes and employees at all levels. Cost control and possible reduction is always a key business objective but during tough economic times, it takes on paramount importance and expense management is an area that no business can afford, quite literally, to ignore.

Tony Speakman, Northern Region Manager for database experts FileMaker, offers the following advice:

### **Initiations**

It's important that every member of staff who incurs business expenses or has access to company credit cards understands how and when they are able to utilise this facility. The best way to ensure this knowledge is understood throughout the company is to cover the guidelines during the induction process as each employee joins the organisation or are given access to company credit cards.

### **Company policies**

As long as they offer the use of company expenses, all businesses, whatever their size, should have a clear-cut company policy with regards to how and when these can be used. The policy can not only be verbal or considered 'an unwritten rule'. In order to avoid confusion or misunderstandings the official policy should be a written document that is shared with all employees and which they have formally acknowledged understanding of.

### **The sky is NOT the limit**

It sounds obvious, but set limits. These can be specified in the company policy whilst more senior staff may occasionally have need to spend larger amounts it is important that there is consistency across the policy and limits are applied to all staff. Exceptional costs can be agreed in advance and preferably be handled through the companies purchase order system.

### **Approval hierarchy**

An approval process for all expense claims helps narrow the gap between operations and accounts departments. Accounts teams who are not involved in daily business operations may not be able to identify what is a legitimate expense claim and what isn't, so it's vital that departmental managers are required to approve costs as they occur to ensure there is a chain of accountability for money spent. To avoid abuse of this policy it should also require that the most senior member of staff present pays the bill.

### **Track spending data dynamically**

Totals of money spent over a period of time are of limited use as planning tools once the funds have already been spent. To minimise spending, expenses and other financial data have to be tracked and monitored on an ongoing basis. Using a database tool such as FileMaker to track, monitor and report on expenses can help identify potential cashflow bottlenecks early and financial limits or deadlines can be imposed to help keep within budget.

### **Make use of the data**

There's little point recording all the expenses claims in your company if you don't use the data to shape a wider financial strategy. Regular appraisals assessing the amount of money being spent and on what should be conducted. Once you have your expenses data collated in a central place you will be able to assess the most and least costly outgoings as well as comparing spending between departments. If the results do not concur with what you had expected, then policies and company expenses may need to be reassessed.

### **Make it work for both sides**

Claiming expenses is time consuming and sometime worrying for employees. If you implement a system to automate the process which also makes it easy for an employee to view the policy, guidelines and their previous expense claims it can save time and reduce the stress associated with filling in the claim. Using a tool such as FileMaker, which allows rules and limits to be built in, could be invaluable.

**Tony Speakman**  
**FileMaker Northern Region Manager**

