

Optimizing expense management with digital receipt filing

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Introduction

An easy, cost-effective method for maximizing a company’s investment in automated expense management is the use of digital receipt filing for management of travel and entertainment (T&E) receipts. This white paper reviews the digital receipt filing process, including best practices, designed to optimize productivity, quality, and regulatory compliance.

Paper receipts affect the bottom line

Most corporate T&E policies require that receipts for certain expenses be attached to expense reports for employees to obtain reimbursement and for companies to comply with IRS regulations. The traditional process of submitting paper receipts, however, presents several challenges and costly inefficiencies. Some of these include:

- High costs for postage and mailing materials, including frequent overnight deliveries, and the effort of making copies of receipts before mailing.
- High administrative costs in the office, where paper management and storage are involved, as well as preparation for filing systems.
- Wasted employee time and effort submitting and processing paper receipts with expense reports (administrative tasks of organizing receipts, taping or stapling, and matching with the expense report for manager review and approval).
- Management approval not being performed in a timely manner because of delays in receiving the receipts.
- Auditing inefficiencies due to electronic expense reports being submitted without the receipts.
- Lost or misfiled receipts.

Figure 1. Sample costs of mailing paper receipts by field-based employees.

Employees: 5,000
Total number of expense reports submitted per year: 50,000 (25,000 FedEx; 25,000 U.S. Mail)
Cost of FedEx mailing (standard overnight) — $\$12-\$18 \times 25,000 = \$300,000-\$450,000$
Cost of U.S. Mail envelope — $\$0.37-\$0.56 \times 25,000 = \$9,250-\$14,000$
Average annual cost of mailing paper receipts = $\$309,250-\$464,000$

Digital receipt filing process

A more efficient and economical way to handle receipts in the expense management process is to digitally file them. Digital receipt filing is the collection, scanning, and digital storage of expense report receipts for future retrieval. As users submit receipts electronically via fax or digital copier scan-to-email device, the receipt images become linked to the expense report.

The process of filing begins with the expense report user printing his/her electronic expense report cover sheet that contains a unique bar code. The user takes the barcoded cover sheet and the receipts and faxes or scans them using a fax machine or digital copier scan-to-email device. The image server interprets the bar code and automatically indexes and electronically attaches the receipt image to the expense report. Encrypted image storage and network transactions are employed for security purposes. Companies using this filing process typically request that employees retain the original receipts for one to three years.

Once the receipt image is attached to the expense report, it can be immediately viewed online during all phases of management approval within the expense management system.

The digital receipt filing process is simple not only for users, but also for approvers and auditors, who need not wait for accompanying receipts. The result is a much faster reimbursement cycle.

Best practices for digital receipt filing

Current industry best practices in T&E can enhance corporate travel policies and procedures, improving the efficiency and effectiveness of business operations. Recommended best practices associated with digital receipt filing include:

- Leverage existing scanning devices. To eliminate the cost of new hardware, use existing devices such as standard fax machines.
- Set up security provisions. To prevent unauthorized sources from accessing the information, establish secure and encrypted access to image retrieval within the expense management system.
- Allow for integration of a “receipt hold and release” capability. For greater audit efficiency, incorporate this expense management system feature to prevent auditors from seeing the electronic expense report until the receipt image has been attached.
- Ensure image quality. Select a system that provides for robust error checking to make certain bar codes are read properly. Additional features that enhance legibility include zoom viewing and automatic image cleanup. The system also should include a simple self-test facility for first-time remote users to test their fax machines or digital copiers for quality and receipt readability. To preserve the original receipt integrity when the receipt is too faint, users should write the information to the left or right of the original content, not over it.
- Provide support for multiple versions of a receipt image. Choose a system that allows for a forgotten receipt to be subsequently appended to the original receipt image.
- During scanning, use a specially designed carrier for submitting undersized documents. This applies particularly to devices with automatic feeders (fax machines or scan-to-email devices). The carrier speeds up preparation and is reusable (see Figure 2). It also prevents feeding jams, and can be used for flat, temporary, and long-term receipt storage. Other benefits include protection from loss, physical damage, and image degradation.

Figure 2. Special carrier makes faxing or scanning undersized receipts easy and efficient.



Benefits of digital receipt filing

Enterprises that incorporate digital receipt filing as part of their automated expense management process can achieve significant efficiency gains over those that process paper receipts. These benefits are as follows:

- Significantly reduced mailing costs. Annual savings from elimination of paper receipt mailing for an average company with 5,000 employees more than covers the initial one-time cost of the digital receipt filing system.
- Reduced staff time. Employing the digital receipt filing method significantly reduces staff time for submitting, approving, and auditing expense reports, thus increasing time available to spend on performing core job functions.
- Improved accountability. The risk of lost or misfiled receipts is virtually eliminated.
- Streamlined auditing process. Auditors view only expense reports with attached receipts instead of being forced to wade through reports without receipts.
- Reduced cycle time. Immediate availability of receipts enables faster employee reimbursement.

Infor™ offers an expense management solution that includes the option for digital receipt filing. Two customer case studies tracked the success of the customers' digital receipt filing solutions.

A leading beverage company selected the Infor solution for digital receipt filing. It improved internal customer satisfaction by shortening the reimbursement cycle, and it improved the audit process by ensuring that all receipts were captured. Digital copiers and fax machines served as input devices, and fax servers with existing Lotus Notes capabilities converted receipts for the email system. After a two-week installation process, the customer achieved its goal of eliminating manual paper processing of receipts.

Another Infor customer that is a leading provider of integrated customer care and billing solutions wanted to fully automate its expense report process. After evaluating Infor's digital receipt filing solution, the customer learned that it could improve not only the expense management process, but also accounts payable invoicing. The on-site implementation took only two days, and the customer reported success with imaging the accounts payable invoices as well as T&E receipts.

Regulations for retaining receipt copies

Companies are often concerned about regulatory compliance surrounding T&E receipts. Receipts are addressed individually by each company, but can be tailored to ensure both maximum efficiency and maximum compliance. The Internal Revenue Service (IRS) requires original paper receipts for expenses of \$75 and above. Most companies, however, require submission of receipts for amounts over \$25 to meet their own accounting and verification standards.

In truth, regulatory guidelines and best practices for receipt submission and receipt retention are two different standards. Most of the current regulations focus on submission and related processes, but often are unclear as to whether paper originals can be discarded or must be kept available for audits.

The following publications relate to paper retention and imaging of financial documents:

- IRS Revenue Procedure 97-22, Retention of Books and Records, March 31, 1997
- IRS Publication 583, Starting a Business and Keeping Records
- Revenue Canada, Books and Records Retention/Destruction, No. IC78-10R3, October 1998

Conclusion

Corporate automated expense management systems that use digital receipt filing with best practices enable companies to achieve overall efficiency gains through fewer staff and less time and effort needed to process expense reports; elimination of postage, mailing, and paper storage costs; a streamlined auditing process; and improved employee morale through timely reimbursement. All of these benefits translate to cost savings, adding value and ROI to the expense management solution.

About Infor

Infor delivers business-specific software to enterprising organizations. With experience built in, Infor's solutions enable businesses of all sizes to be more enterprising and adapt to the rapid changes of a global marketplace. With more than 70,000 customers, Infor is changing what businesses expect from an enterprise software provider. For additional information, visit www.infor.com.

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