

The State of AI in Business Spend



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Executive Summary

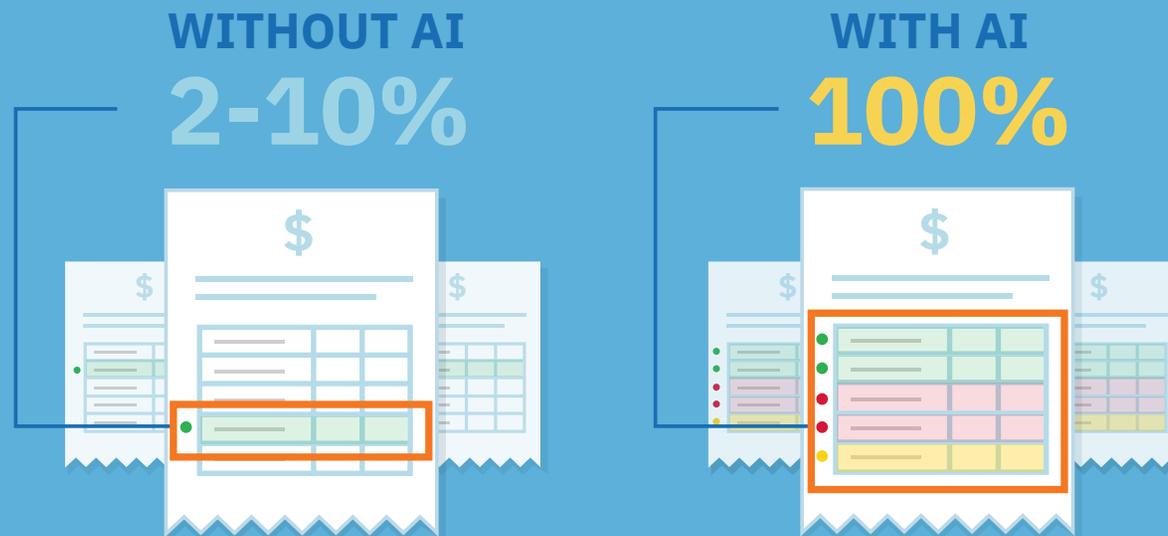
In this AppZen business spend report, we've compiled trends, best practices, and recommendations based on aggregated, anonymized data from the AppZen Expense Audit Platform. Conclusions are based on AppZen Expense Report Data from hundreds of accounts in a variety of industries from October 1 through December 31, 2018.

Except in areas in which comparisons are made, findings and benchmarks conveyed in this report are gleaned from companies worldwide that are using artificial intelligence to audit 100 percent of their employee expense reports.

This report has six primary sections, focusing on spend visibility, value at risk in expense reports, non-compliant or wasteful spend, approval averages to consider, insights on streamlining the spend audit process, and recommendations for finance teams.

Spend Visibility

Enterprises spend millions – or even billions – on business activities, yet their spend processes are outdated and inefficient. Those companies that use artificial intelligence to make spend audit approval decisions and automate process achieve 100 percent visibility, versus just 2-10 percent for companies that don't.



Last quarter, the average enterprise processed 4,374 expense reports. Each report contained an average of 11 expenses. Ten percent of all expenses were considered high risk, which means they were either not compliant with company policy or they were flagged as potentially incorrect, wasteful, or fraudulent spend. Some of the reasons these expenses are flagged as high risk include the presence of duplicate receipts, spending that is out of line with company policy or common sense use of company funds, or meals or gifts to politically-exposed individuals.

Each report has
11 expenses

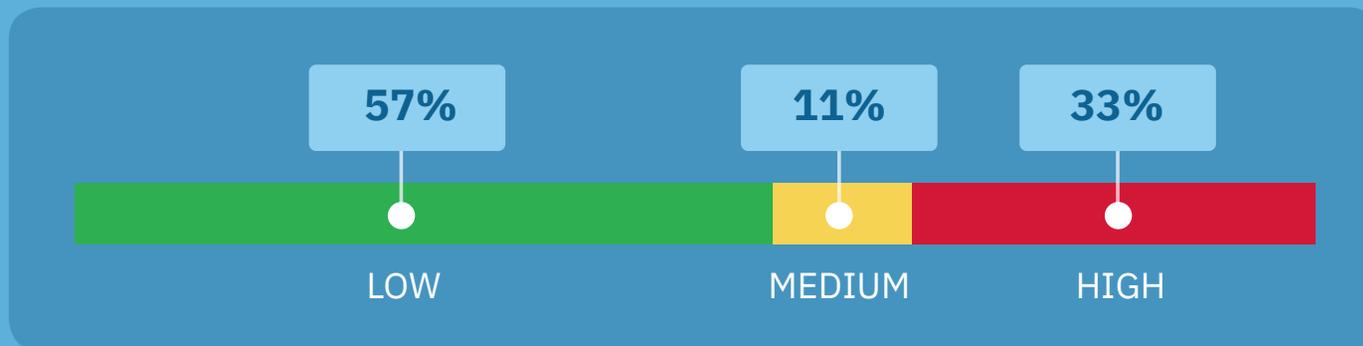
10% of those
are high risk



Attempting to find the high-risk expenses manually across thousands of expense reports can be frustrating for auditors. This is especially true if the organization cannot afford the reputational downside of certain types of spend being hidden away in employee expense reports. If reviewing all high-risk spend is a requirement, the math does not work in auditors' favor: Sampling only 10 percent of spend when only 10 percent of expenses are high-risk yields a near-zero probability ($5.7769042e-14$, to be exact) that auditors will find all high-risk spend.

Value at Risk in Expense Reports

Not all expenses are created equal. Last quarter, while only 10 percent of enterprises' total expenses were flagged as high risk, they represented one-third of the total dollar value across all expenses. For that reason, finding risky spend is even more critical. Given the value at risk, enterprises are using AI to detect risky spend prior to reimbursement, making the technology central to their audit process.



The “Spendies”

Non-Compliant or Wasteful Spend

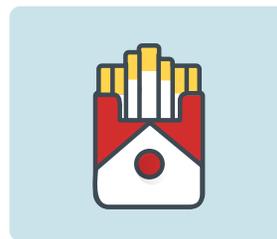
When it comes to expense reports, some employees can get pretty creative in what they claim as business spend. Whether legitimate or not, below are the awards for the most...ahem...creative expenses that employees submitted for reimbursement last quarter. These are last quarter’s “Spendies” award winners.



Tattoos



Strip Clubs



Cigarettes



Gambling



Guns and Bullets



Jewelry



Dog Kennels



Shoe Shines



Payments to Politically-exposed People

Pro tip

Some of these expenses are hard to find without the help of AI. Strip clubs, escort services, and gaming establishments sometimes have generic, “brown paper wrapper” names on their receipts. AI systems that ingest intelligence from online systems learn which organizations fall into which categories.

Consider These Approval Averages

A well-defined spend policy clearly conveys the company's expectations for what business activities can be reimbursed. It can also help the company save money and achieve more predictable financial results. Policies such as airfare and hotel should be straightforward for most companies, but what about the less-obvious items such as travel upgrades, car washes, and alcohol? The spend data below are based on organizations' expense approval averages last quarter.

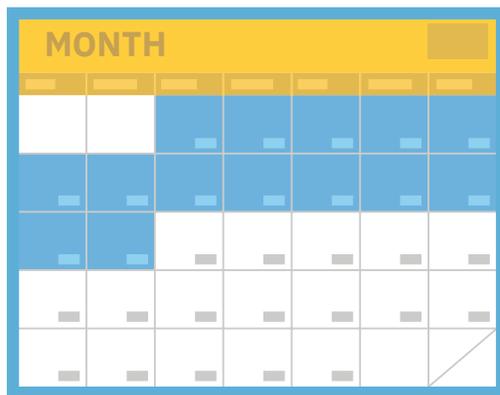
| | | |
|--|---|---|
| TRAVEL UPGRADE 28% reimburse (\$50.00 per upgrade) | SPORTS TICKETS 21% reimburse (\$550.00 per ticket/package) | MINIBAR 15% reimburse (\$21.34 per day) |
| ROOM SERVICE 16% reimburse (\$60.83 per meal) | ROADSIDE ASSISTANCE INSURANCE 3% reimburse (\$100.00 per year) | LUGGAGE 28% reimburse (\$114.30 per round trip) |
| PERSONAL ACCIDENT INSURANCE 16% reimburse (\$150.00 per year) | LAUNDRY 39% reimburse (\$43.57 per report) | INTERNET 37% reimburse (\$76.40 per day) |
| HEALTH CLUB VISIT 11% reimburse (\$32.02 per day) | GPS UPGRADE 24% reimburse upgrade (\$176.35 per report) | GOLF 39% reimburse (\$326.57 per game) |
| GIFTS 46% reimburse (\$112.05 per gift) | EMPLOYEE AWARDS 11% reimburse (\$63.41 per award) | CLOTHING 19% reimburse (\$160.53 per purchase) |
| CELL PHONE 41% reimburse (\$83.95 per month) | CAR WASH 24% reimburse (\$29.10 per wash) | BICYCLE MAINTENANCE 7% reimburse (\$209.26 per year) |
| ALCOHOL 18% reimburse (\$104.16 per day) | COFFEE CARD RELOAD 9% reimburse (\$20.00 per report) | MOVIES 17% reimburse (\$25.50 per movie) |

Pro tip

For expenses like gifts, jewelry, and golf, remember to have employees itemize participants or recipients and cross-reference databases of politically-exposed individuals. This can help you stay out of legal hot water...and the newspaper. Integrations and process automation in your AI system can help you do this.

Streamlining Your Spend Audit Process

According to common benchmarks, companies that aren't using AI to audit spend take about two weeks to reimburse employee expenses. Last quarter, 80 percent of enterprises that use AI to audit spend auto-approved all low- and medium-risk expenses, which totaled 90 percent of all expenses and 67 percent of all expense dollar value. More importantly, they were able to process expense reports in a fraction of the time as their manual counterparts, delighting their employees. Half completed the expense report approval process within four hours, while 90 percent did so within three days.



WITHOUT AI

Two weeks on average



WITH AI

4 hours: 50th percentile
12 hours: 75th percentile
3 days: 90th percentile

Pro tip

Organizations that remove managers from the expense approval workflow process save tons of time but can always circle back with managers to gather business context if they suspect the expense should be approved. They also provide managers visibility into their employees' expenses in a dashboard.

Recommendations for Finance Teams

Based on the insights and benchmarks gleaned from the AppZen Expense Audit Platform last quarter, finance leaders should implement the following practices:

1 Use AI to audit 100 percent of spend, and find **all** of the high-risk items.

2 Auto-approve low- and medium-risk expenses, taking managers out of the approval workflow and focusing auditor attention on high-risk expenses.

3 Delight employees with 1-2 day expense reimbursement.



AppZen uses artificial intelligence (AI) to automate the auditing process of a company's overall spend. Leveraging patented AI technology, AppZen uses computer vision, deep learning, and natural language processing to automatically read and audit expense reports, receipts, invoices and contracts while cross-checking that information against hundreds of online data sources. This enables Account Payable and T&E teams to detect fraud, compliance issues, and pricing violations within minutes of an expense report or invoice submission.