How to Exercise Effective Expense Control

Sarah Sawyer: Welcome to this week's OK at Work with myself, Sarah Sawyer, my colleague Russell Berger, both attorneys with Offit Kurman. And today we are talking about expense reimbursement policies and procedures. So often in a lot of companies, there might be reasons that employees might need to put something on either a company card or spend their own funds, towards something work-related, whether it be something they need to purchase or travel.

There's a lot of different reasons that an employee might need those types of funds for their day-to-day operations. But obviously it's one of those areas where you wanna have good policies and rules around it because it's company money, right? So you wanna make sure that they're spending it on the right things.

But what are the right things and how do you communicate that, right? So what are some things that employers should be thinking about as it relates to employee expenses, [00:01:00] Russell?

Russell Berger: Yeah. Well, you kinda hit the nail on the head. Like you should have a policy that should be communicated to employees that are going to be incurring expenses.

The worst thing you can do is to not be clear, have, a lot of gray. I don't think you're ever gonna eliminate all the gray that could go into expense reimbursement 'cause you can't think of everything. But if you have kinda these big gaps and these big areas of gray you're gonna have confusion, people are gonna put things through that they shouldn't, people are not gonna be putting things through.

And if you don't wanna pay for it you're gonna end up getting stuck with it 'cause the employee's gonna say, "Well, I thought this was legitimate and you didn't tell me otherwise." So, boxing it in, making it clear, creating general guidelines for what is a reimbursable expense is just kinda the starting blocks of all this.

Make sure you have, some message that you can provide to employees. And then from there, I think you just whittle it down to, what is approved or, if there's some kinda gray area things, maybe you have a policy that says, when it meets these criterias, it'll be reimbursed, but if it's over X amount of [00:02:00] dollars, you have to get, management permission first.

So you can kinda build in some sort of safeguard so that if there's confusion, it's happening at a low dollar amount not a significant dollar amount where, it's gonna really catch your attention as the manager of the business.

Sarah Sawyer: Yeah, and I think a lot of the issues that I see with clients as it relates to these types of policies is actually administering them, and if there isn't enough detail, it can be cumbersome to administer them, which means that people in a management role or in a reconciliation role as it relates to these expenses who are in charge of kind of keeping track and making sure that they are approved properly within the confines of the policy, sometimes it can get hard for them to do that.

They're approving expenses that they shouldn't. They might set a precedent then- Where everyone thinks that this is a reimbursable expense even though it isn't through the policy. So I think equally as important to obviously establishing the policy is giving thought to, well, this is true of any policy, but I find it particularly important in this [00:03:00] one because this type of policy really does have a day-to-day management role involved in it, whether it be, your comptroller or someone in accounting paired with the manager who's doing the approval.

So a lot of times there is a lot of, depending on the size of the company and how much volume there is as far as expense reimbursement requests or reconciliation, it is an area where there can be a lot of slippage around people not abiding by the policy on the management side, then creating confusion with those who are actually working through the and charging the expenses and trying to figure out what they can charge and what they can't.

So that's definitely, I think, a really important part here.

Russell Berger: Yeah. Well, and that brings up another good point. When you're putting the policy together, you need people from different departments at the table. Finance is going to have a perspective on it, so does the marketing team. So are different department heads. So you kinda have to have enough of a cross-section of your organization to figure something out that works in, most if not all [00:04:00] circumstances for all these different questions as to what's reimbursable to when is it going to be reimbursed to when can you ask the company to put the money out front.

Those are all questions that, different perspectives are needed on. And so I think it's really important to get everyone together and have that conversation.

Sarah Sawyer: Yeah, and if you don't answer those questions up front, then it's gonna leave room for people to be answering them themselves in the field, which is not what you want and can also expose you to a certain risk where an employee has expensed something that, there's a good argument that they were authorized to do it even though it wasn't in the policy.

So just gotta keep an eye out for those things. Well, thanks, Russell. We'll see you next time.

Russell Berger: Bye, Sarah.