



Corporate  
Payment Solutions

# MASTERCARD TRAVEL & ENTERTAINMENT

▶ BEST PRACTICES GUIDE



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# Introduction

The challenges and opportunities for businesses have changed dramatically over the past 10 years. The Internet revolution has enabled automation and personalized customer contact that far surpasses what the industry has known in the past. This revolution has also created a smaller world by enhancing communications and forcing every business to think globally. These advances are affecting both the needs and demands of corporate travelers and the entire travel process from locating tickets to allocating corporate expenses.

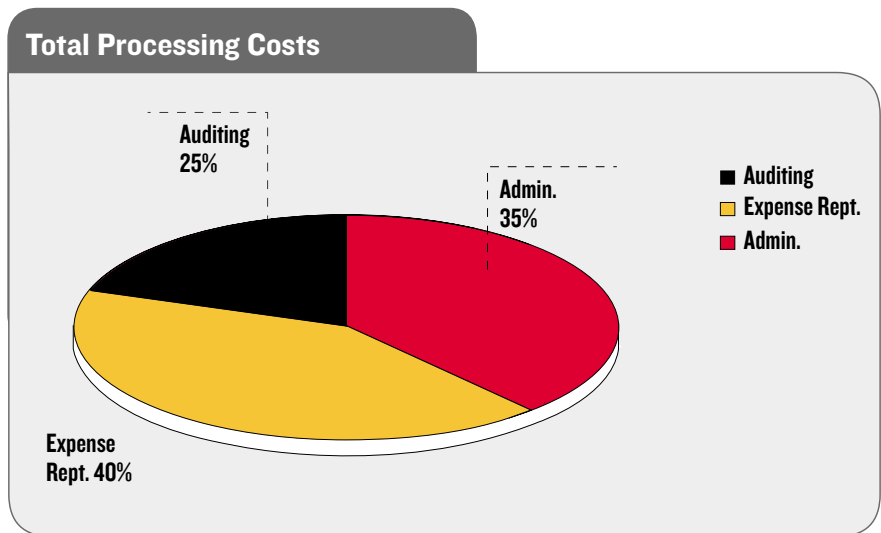
In order to adapt to and utilize these changes, program managers are expected to have increased knowledge

of systems, technology, budgeting, and negotiation. On average, T&E is the third largest indirect expense (after utilities and systems/data processing) for large corporations.

MasterCard International developed this guide as a solutions tool for travel program managers to provide insight into current industry best practices and show how these best practices are enhancing corporate travel policies and procedures.

According to a Gunn Partner's Report, Travel Expense Comparative Practice Analysis, the average processing costs associated with a typical travel program are as follows:

Process	Cost to Process (% of total cost)
▶ <b>Administration.</b> Policy, card program, reconciling, reporting payments, other.	35%
▶ <b>Expense Report Processing.</b> Processing and filing of report data.	40%
▶ <b>Auditing.</b> Back-end review of expense reports.	25%



Source: Travel Expense Comparative Practice, Gunn Partners Inc. – Dec. 1998

This guide will address industry changes that have enabled efficiencies in each of these categories, which could positively affect a company's bottom line. The Internet has enabled many opportunities to significantly reduce administrative expenses. The surge of travel-technology product offerings, such as online reporting software, online travel booking, electronic ticketing, and online tracking are valuable automation tools for the program manager; which will be addressed in this guide.

The identified best practices are described in five key areas of the corporate travel program: **Travel Policy**, **Travel Agency**, **Card Products**, **Expense Reporting**, and **Management Reporting**. The interaction of these areas within a typical corporate travel program is illustrated below.

**Best Practice Segment**

**Concepts Explored**

**Travel Policy**

Explores ideas on developing, communicating and administering corporate travel policy – resulting in maximum compliance.

**Travel Agency**

Provides service features for travel agency use to save corporations time and money.

**Card Products**

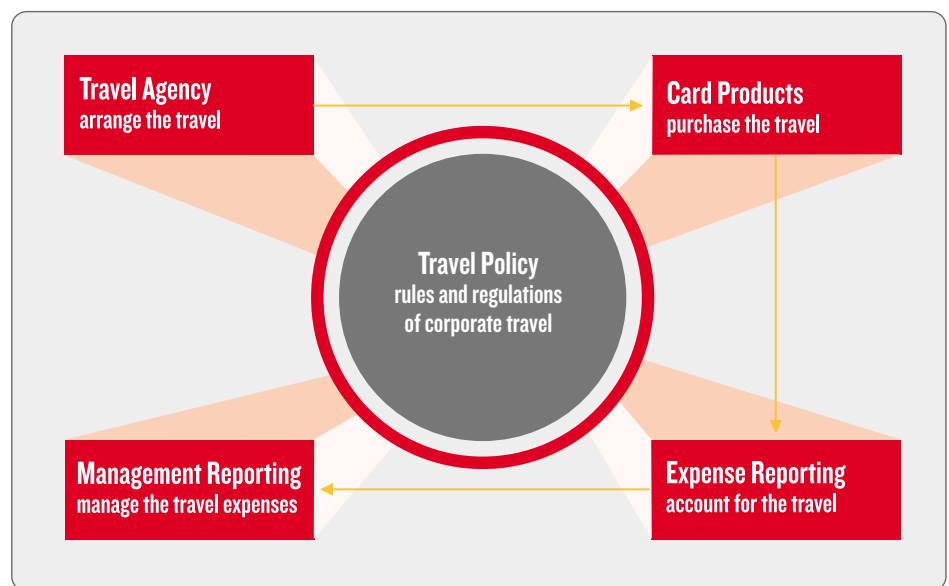
Highlights importance of features such as reporting tools, liability, and billing/payment capabilities that can save time and money.

**Expense Reporting**

Investigates innovations in expense capturing and reporting, providing tips on significantly decreasing report preparation time and reducing errors.

**Management Reporting**

Reviews enhancements in management reports that allow companies to maximize negotiation leverage with suppliers, conduct audits, and monitor business parameters.



# Travel Policy

## Best Practice #1:

The Travel Policy should be Well Communicated Online

The processing time associated with maintaining the travel policy accounts for five percent of managing the travel program.<sup>1</sup> While this is not a major cost, ensuring that travel policy is well communicated throughout an organization can further minimize it. Effective communication can also lower the costs associated with the processing and auditing of expense reports and overall travel program.

Two effective ways of communicating policy are by providing the policy online and through educational seminars. The size and technological ability of the company can effect which types of communication are cost effective and efficient. The cost of the communication program should be weighed against the expected benefits to determine which solutions are feasible for a particular company. With the Intranet and Internet, however, costs for mass communications generally decrease significantly.

### Key Success Factor

#### ▶ Online Availability

#### ▶ New Employee Orientation

#### ▶ Educational Seminars

### Methods of Achievement

- Display the policy on your company's LAN - ensure it's in a public file that is easy to find
- Display the policy on your company's internal website/homepage via your Intranet
- Require your travel agency to display the policy on a web page dedicated to your company for employee access
- Provide a presentation piece during new employee orientation to educate newcomers to the policy
- Provide a seminar highlighting issues relating to usage, compliance, and other topics that seem appropriate

### Benefits Realized

Easy access to and understanding of the policy is key. Companies provide online accessibility and education because they:

- ▶ Provide quick access to the information
- ▶ Enable the information to be timely – easy to update
- ▶ Save the travel program manager time in answering phone calls or e-mails regarding policy questions
- ▶ Provide education to both new and existing employees on how the policy works

### **Best Practice #2:**

**Travel Policy should be Consistent with the Company's Corporate Culture**

A policy is only effective if employees comply with it. Mandating employee compliance will be a struggle if the policy is not compatible with the organization's business practices, business philosophies, and overall culture.

Allowing flexibility in travel spending can reflect a corporation's attitude towards travel. Some corporations allow greater flexibility in allowances for meals and in choice of hotels and airlines. This may result from the

corporation's willingness to ease the hardship of significant employee travel by maintaining employee satisfaction or addressing the employees' needs for flexibility, while entertaining for business. These are corporate factors that must be addressed in the policy in order to maintain consistency and cost containment.

#### **Key Success Factor**

##### **▶ Cultural Compatibility**

#### **Methods of Achievement**

- **Policy guidelines should reflect the company's individual culture (i.e., entrepreneurial vs. corporate)**
- **The tone of the travel policy should be consistent with the corporate culture**

#### **Benefits Realized**

Companies should develop culturally compatible travel policy guidelines to ensure:

- ▶ Greater compliance to policy
- ▶ Employee satisfaction

# Travel Policy

## **Best Practice #3:** Eliminate Personal Usage on the Corporate Card

A Corporate Card should be issued to the employee for T&E expenses only. Separating personal receipts can be an administrative challenge for both the employee and the receiver of expense reports. Twenty-five percent of the total process time of managing the program is related to auditing expenses.<sup>2</sup> Elimination of personal usage on the card increases efficiency in the auditing process.

Likewise, this guide will later address the use of online automated expense reports, which are pre-populated with charge card data. If the card is used for personal expenses, then these charges will need to be extracted from

the pre-populated reports, possibly creating confusion and additional administrative effort from employees and expense report auditors. By prohibiting the use of the card for personal charges, the report process can be made more efficient.

Furthermore, by eliminating personal expenses on the card program, analysis on card spending can become a useful tool for budgeting and managing expenses, and negotiating with preferred vendors based on previous usage. When personal usage is allowed on the card it affects any analysis that can be done on card volumes, thus taking from program managers a key tool they receive from their card issuers.

### Key Success Factor

- ▶ **Policy Mandates**
- ▶ **Management Support**

### Methods of Achievement

- **Corporate Card usage should be limited to company T&E charges only**
- **Secure management's support - ensure mandates are communicated**

### Benefits Realized

Elimination of personal use on the card is a best practice because it:

- ▶ Saves time – greatly reduces receipt tracking, reporting, and reconciliation
- ▶ Decreases risk of potential fraudulent use
- ▶ Ensures efficient expense reporting

**Best Practice #4:**  
**Eliminate Company Disbursement  
of Cash Advances**

Employees will always need to use some amount of cash when traveling to pay expenses at merchants where credit cards are not accepted. Methods of obtaining cash advances include company disbursements, ATMs, travelers checks, and use of personal funds.

The least expensive means of providing cash advances is to promote the use of personal funds. Some employees, however, are not satisfied with this option, prompting another solution from the corporation. The use of company disbursements is generally viewed as the most expensive means of distributing cash, which has resulted in increased popularity of ATMs, producing lower average costs for corporations to process travel advances.<sup>3</sup> However, finance

charges and ATM fees charged to employees using ATMs not owned by their credit card issuers can make this method expensive. Therefore, employees should be instructed to limit ATM cash advances and maximize ATM use of their credit card issuer.

To track cash advances, appropriate procedures should be included in the travel policy and expense reconciliation processes. Many companies require expenses to be submitted for any cash expense above \$25. However, IRS regulations have increased the “cash reporting” ceiling to \$75. As a result, companies should review their current cash reconciliation procedures with their internal tax department to determine the most efficient reconciliation policies available for the company.

**Key Success Factor**

▶ **Policy Mandates**

▶ **Management Support**

**Methods of Achievement**

- **Eliminate company cash disbursements and encourage ATM use at issuing bank ATMs only**
- **Review cash reconciliation procedures**
- **Secure management’s support - ensure mandates are communicated**

**Benefits Realized**

Elimination of company cash disbursements is a best practice because it:

- ▶ **Saves money – generally the administrative procedures associated with company cash advances are the most expensive means to distribute cash to employees**



# Travel Policy

## **Best Practice #5:** Impose Penalties for Non-Compliance with Travel Policy

With advances in management reporting, program managers, employees, and employees' managers have access to information regarding employees' compliance with corporate policies, and can often quantify losses. Some companies recognize policy compliance as a performance measurement and create rewards and penalties based on compliance.

For example, this information can be integrated into an employee's and their manager's annual performance reviews. Business units may be charged a fee for quantified losses. Card programs with rewards programs may only reward those purchases that are in compliance. These practices place the accountability into the hands of the employees and their managers, rewarding those who comply, and discouraging those who do not.

### Key Success Factor

- ▶ **Management Support**

### Methods of Achievement

- **Travel policy document should be reviewed and signed by the employee before receiving their Corporate Card**
- **Policy must be supported "publicly" by upper management (i.e., official endorsement online with policy guidelines)**
- **Provide management with a report which quantifies the financial impact of non-compliance**
- **Work with management to develop real and recognizable repercussions**

### Benefits Realized

By imposing penalties for non-compliance with travel policies, companies:

- ▶ Reinforce the importance of policy compliance
- ▶ Create employee accountability
- ▶ Deter fraudulent use

**Best Practice #6:**

**Consider Centralization of Corporate Travel Management Functions for Domestic and International Offices**

With many companies today operating both domestically and abroad, it makes economical sense to centralize the corporate travel program and operations in one location. Aside from minimizing administration expenses, consolidating all T&E purchase data will enable travel program managers to have an even greater advantage when establishing an issuer relationship, as well as negotiating with preferred vendors.

Centralization of these functions, however, is very dependent on the corporate culture of an organization. Some multinational corporations have a

very strong corporate headquarters that exerts significant controls over regional offices; while some of these corporations have regional offices acting almost as separate businesses. This culture will determine how much centralization of travel functions is possible.

Keeping flexibility in the policy to address cultural and working differences in numerous countries will also be a necessity with a central office. The central management team must be cognizant of foreign environments and ensure that they are addressing the needs of all constituents.

**Key Success Factor**

- ▶ **Transcontinental Systems Capabilities (for the company)**
- ▶ **Domestic and International Management Support**

**Methods of Achievement**

- **An infrastructure capable of managing both domestic and international groups**
- **International offices' support of and adherence to reporting structure of central office (if central office is U.S.-based)**

**Benefits Realized**

Companies integrate global and domestic travel policy management to:

- ▶ Reduce program administration expenses
- ▶ Capitalize on total travel data for vendor negotiations

# Travel Policy

## Best Practice #7:

### Provide Tools and Resources to Educate Employees Who Travel Internationally

Today, many companies that conduct business internationally, want to ensure their employees are well educated on global business practices and protocol within other countries. Not only does this allow employees to be more effective in their business goals, but this education can also create a more enjoyable experience for the employees as a result of increased comfort with the environment around them. Aside from global travel information such as foreign exchange rates, passport and immunization requirements, etc., some travel companies are offering online comprehensive cultural overviews of a particular country. If the corporate mandated travel agency doesn't already offer this service, consider securing a relationship with a company that offers

training/software for employees who travel internationally. These companies may offer online databases with valuable information such as:

**Business Practices:** Making appointments, etiquette, negotiating, and entertaining.

**Cultural Elements:** History of the country, social/political makeup, and spoken language.

**Social Protocol:** Greetings, titles/forms of address (using first name or Mr./Ms. when addressing someone), and gestures.

**Local Travel:** Use of air, car, train, or taxi within the country.

#### Key Success Factor

##### ▶ Internet Access for Employees

#### Methods of Achievement

- Ensure information provided is easy to understand and useful to the employee
- Create a policy guideline which enforces the use of the software/database for employees who travel internationally

#### Benefits Realized

Companies utilize global travel education resources to:

- ▶ Ensure employees are well prepared for international travel
- ▶ Provide valuable travel information, such as foreign exchange rates, documentation requirements, time differences, etc.
- ▶ Prepare employees on many facets (social, cultural, economic, political) of conducting business in a particular country

# Card Product

**Best Practice #8:**  
Mandate One Corporate Card Program for Use of All Travel and Entertainment Expenses

Card program management may account for 10% of the processing time for the accounting manager.<sup>4</sup> Companies can save program administration time by mandating a single Corporate Card program for use on all T&E transactions versus the use of an employee's personal credit card.

Capturing all T&E data through a single card program also gives a company greater control and power when negotiating the financial aspects of the issuer relationship, and when negotiating rate reductions with T&E vendors.

## Key Success Factor

### ▶ Mandated Card Program

## Methods of Achievement

- Endorse one Corporate Card program and mandate its usage for all T&E expenses
- Ensure the card program offers online reporting features for effective and timely expense management
- Global acceptance of the card is a must for employees who travel internationally (i.e., ensure card is accepted where employees need to use it)

## Benefits Realized

Companies utilizing this best practice recognize it can:

- ▶ Simplify administration and maximize financial benefits of the program
- ▶ Increase process efficiency in reporting and billing
- ▶ Capture valuable T&E purchase data for all employees
- ▶ Maximize the size of the program

# Card Product

## Best Practice #9: Implement a One Card

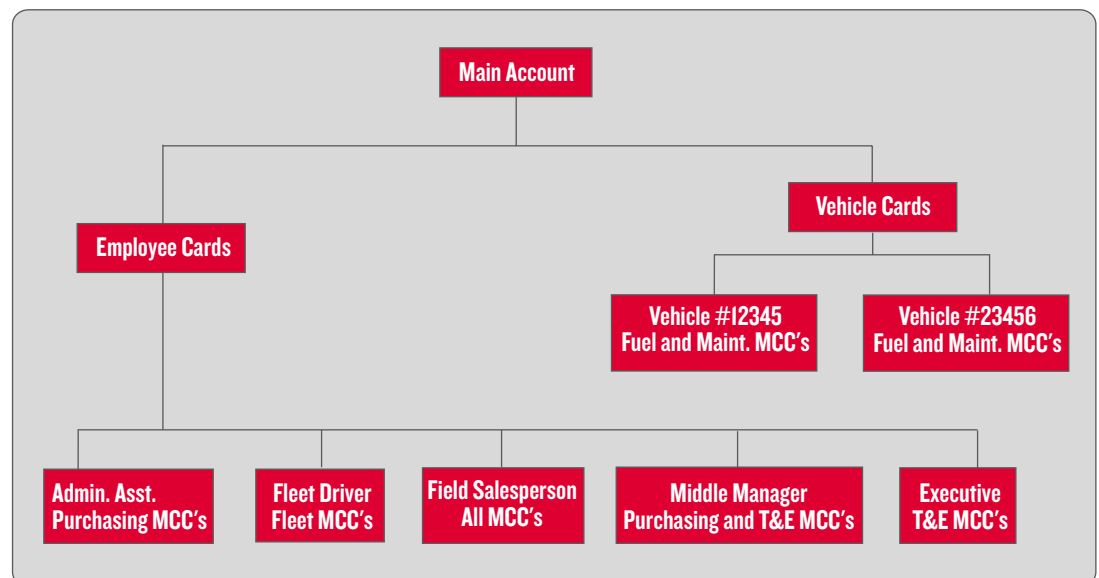
Recognizing the power and importance of purchase data, some companies have gone a step further than mandating a Corporate Card program for only T&E expenses. They are combining their maintenance, repair, and operations (MRO) expenses and fleet expenses, with their T&E spending onto one card. This may result in a shift from multiple card programs to a One Card solution or just an increase in the types of spending placed on the card. Although still widely viewed as unique and innovative, some companies have had One Card solutions for nearly 10 years, while others are now in the implementation process.

The MasterCard Corporate Multi Card® Card is a “One Card solution” that employees can use for traditional T&E, purchasing, and fleet expenses.

This program can be customized to enable different spending abilities

depending on the spending category based on the duties of an employee. For example, a card authorized for both purchasing and travel can have a \$2,000 limit on purchasing card type transactions and a \$5,000 limit for travel expenditures. In another scenario, a cardholder may only be authorized to complete purchasing transactions while all travel- and fleet-related suppliers are blocked.<sup>5</sup>

All the charge data for each type of transaction will be housed in a single database providing your company with the ability to view all information collectively and make cash management decisions from a broader spending picture. While the data is all housed together, it can be integrated into specialty databases, such as fleet management systems, to ensure that none of the reporting functionality, which your company currently enjoys, is lost (see diagram below).



The fundamental steps for implementing a One Card solution are as follows:

- Step 1:** Set up account hierarchy
- Step 2:** Customize cardholder spending profiles utilizing MCC's
- Step 3:** Customize billing and liability options by MCC
- Step 4:** Employees make charges

The MCC codes can also be used to divert transactions for central vs. individual bill charges, central vs. individual liability, rewards qualification, and diversion of T&E charges into expense reporting software.

By combining card programs (purchasing, travel & entertainment, and fleet), the company can save on administrative efforts. With fewer cards to manage, a consistent reporting platform across all programs, and one accounting process, all concerned parties will have the same data, in the same time frame, and be able to make better management decisions. The ease

of use for the cardholder is also a benefit. Now instead of having multiple cards and potentially using the wrong card for the wrong purpose, the cardholder has one card and one process to follow for all transactions he/she needs to make to fulfill his/her job responsibilities.

The level of sophistication of your various card programs can determine an organization's readiness to migrate to a One Card solution. Credit card issuers can provide more information about the MasterCard Corporate Multi Card® Card program.

#### Key Success Factor

- ▶ **Management Support**
- ▶ **Cost/Benefit Analysis**

#### Methods of Achievement

- **Get management buy-in for fleet and purchasing card programs**
- **Provide cost/benefit analysis of a One Card solution and gain management support**  
(**Note:** This report can be provided with the assistance of your Corporate Card contact.)

#### Benefits Realized

Companies implement a One Card solution because it:

- ▶ Provides greater power in vendor negotiations
- ▶ Makes purchasing analysis more efficient
- ▶ Ensures a central data repository, capturing all card purchase data for the company under one program
- ▶ Gives you process/cost savings compared to administering multiple programs

# Card Product

## **Best Practice #10:** Select Corporate Liability Option for the Card Program

The move from individual liability to corporate liability on T&E expenses is often a difficult choice. Many program managers fear employee abuse will increase if employees are not liable for their expenses. In reality, this fear has proven to be unfounded. Card features are more technologically advanced in today's environment. Monitoring and reporting of cardholder transactions can now be done more frequently with electronic access to data, giving the travel program manager greater control and flexibility in managing spending among employees.

The company can look to the procedures of other internal card programs, such as purchasing cards or fleet, which traditionally have used a corporate liability structure with minimal employee misuse.

Furthermore, many corporations using an individual liability arrangement with their card issuer also report that any losses are tracked by the card issuer within the organization's program performance metrics.<sup>6</sup> Such losses usually reduce an organization's revenue share. By utilizing corporate liability, the process by which credit is granted and maintained for a company's employees, by its card issuer, is greatly enhanced. This procedural improvement provides dividends to the company in terms of an enhanced banking relationship and a sharing of process savings.

### Key Success Factor

- ▶ **Corporate Liability**
- ▶ **Online Management Reporting Tools Via Card Issuer or Expense Reporting Software**

### Methods of Achievement

- **Select the corporate liability feature for your card program**
- **Utilize online management reports to monitor employee misuse**

### Benefits Realized

Corporate liability is utilized by companies as a best practice because it:

- ▶ Reduces billing/collecting administrative costs to the issuer
- ▶ Reduces the potential for delinquency/credit losses to the issuer
- ▶ Allows issuer to pass process savings to the company

**Best Practice #11:**  
**Select Central Billing/Central  
Payment Features**

Selecting the central billing (receiving one bill online for all of your employees' charges) and central payment (sending one payment via electronic funds transfer to the credit card issuer for all employee charges) features greatly reduces post-trip processing procedures for program managers.

The rewards of central payment lie in two areas – processing efficiency and financial management savings. In regards to the processing efficiency, now the company only needs to send one check to its card issuer instead of the huge amount of reimbursement checks sent to individual cardholders to forward to the issuer. The financial management savings are derived from the flexibility the corporation now has in sending the payment. The corporation now has the ability to manage the float of funds and ensure prompt payments, eliminating or minimizing late fees and finance charges. This can result in significant savings for the corporation.

In addition, employees' satisfaction increases due to the ease of central payment. Employees need only to account for their expenses and the company does the rest.

The central bill/pay feature, coupled with corporate liability, greatly simplifies the payment cycle at both the corporation and issuing bank, with resulting process savings and an enhanced partnership.

A movement to corporate liability and central bill/pay for travel and entertainment expenses is an important first step in moving towards a One Card solution. This standardizes administration of card programs and how the corporation buys different commodities. At this point, moving spending for different types of goods (T&E, fleet, and indirect purchases) to a One Card solution is relatively straightforward.

**Key Success Factor**

▶ **Central Billing/Payment Features**

**Methods of Achievement**

- **Negotiate this functionality with Corporate Card issuer**
- **Establish an e-mail notification to the employee that expenses have been processed**
- **Eliminate personal purchase usage on all mandated Corporate Cards.**

**Benefits Realized**

Companies utilize this best practice because it:

- ▶ **Decreases payment administration costs, and eliminates potential for late fees and finance charges**
- ▶ **Simplifies account reconciliation**
- ▶ **Minimizes employee responsibilities – allowing them to concentrate on their core activities**



# Expense Reporting

## **Best Practice #12:** Explore the Elimination of Expense Reports

Accounting for an astonishing 40% of the total processing cost for travel program management – expense reporting deserves close evaluation. Costs per expense report can range from \$2 to \$25, with costs including the compensation and benefits of people defined as ‘within the scope’, as well as the related systems, facilities, and overhead costs.<sup>7</sup> Expense reports fill a variety of needs, primarily providing receipts for tax-deductible business expenses and acting as a control mechanism to monitor employee spending.

Some companies believe they have met IRS regulations for tax-deductible expenditures by manually designating which expenses are tax-exempt on their cardholder statement and attaching all receipts in an envelope to that statement. Since hotel expenses may include tax-deductible items, special procedures may exist for highlighting these expenses on the hotel receipt, which includes details of the expenses. These processes seem to satisfy the IRS requirements without the costly effort of creating expense reports. A company’s internal tax department should review these processes to verify all IRS requirements are met.

As this document will address later, management reports available for all expenses placed on a card can allow managers and auditors to spot signs of employee misuse without looking at an expense report. Therefore, the primary reasons for having expense reports have been alleviated through other methods.

Typically, other categories of expenditures, such as fleet or indirect purchases, made with a card product are reconciled by the employee when they review their card statement. This process has not resulted in employee misuse, lending credence to the view that applying a more simplified process to T&E expenses will not result in increased employee misuse. Furthermore, standardizing expense reconciliation for different types of expenses eases the burden on the employee. This standardization also moves the corporation in the direction of a One Card solution.

The decision to eliminate expense reports may have cultural repercussions on a company. Therefore, it should be an individual company decision. All companies, however, should evaluate the benefits of expense report elimination against the costs, in order to make a sound business decision regarding their use.

### Key Success Factor

- ▶ **Employee Education**
- ▶ **Tax Department Involvement**
- ▶ **Management Support**

### Methods of Achievement

- **Ensure that the travel policy includes guidelines on which expenses require receipts for IRS purpose**
- **Gain tax department approval of travel policy guidelines on expense reporting processes**
- **Enable managers to audit spending via management reporting**

### Benefits Realized

Companies eliminating expense reports:

- ▶ Eliminate the costly procedure of creating expense reports
- ▶ Significantly save employees’ time in complying to travel procedures and increase employee satisfaction

**Best Practice #13:**  
**Utilize an Automated Online Expense Reporting System**

While eliminating expense reports may be an option for some corporations, others may find expense reports a necessary piece of the travel reporting process. If this is the case, companies should investigate an automated online expense reporting system.

Previously, expense reports were generally completed using a standard template, with employees inputting all card and cash purchases. Options now exist for a much more efficient process, where an online expense reporting template is automatically pre-populated with card data. Each transaction can be automatically linked to a general ledger code based on the type of merchant from which the purchase was made. Then the cardholder has to verify the transactions and the accounting codes, and add cash transactions to complete the process. For hotel expenses, the cardholder may be required to split the

transaction into different categories to address what portion of the expense was spent on meals, lodging, meeting expenses, etc. The tax department should review the process to ensure the capture of all necessary information in order to support tax-deductible expenses.

Based on the business rules set in the program, reports can automatically be routed to managers or auditors for approval, or may only require approval if certain business parameters are exceeded. The cardholder may be required to submit receipts as well to complete the process.

The Expense Reporting Steps illustration, on the following page, elaborates on the procedure required to perform an online expense management solution transaction.<sup>8</sup> This demonstration will highlight how employees use the system to input data, and how managers can utilize it to ease the approval process. While this solution is highlighted, many solutions are available that offer this functionality. Card issuers will be able to consult on such solutions.

Many of these software systems are investigating integration with web-enabled personal devices such as cell

phones or palm pilots. While on the road, employees find it cumbersome to track non-receipt incidentals, such as tips and cab fare. Employees can keep up to date on submitting these expenses and tracking the status of outstanding reports by entering information into their wireless devices, such as an Internet-enabled cell phone. This will enable employees to document cash expenses as they happen, further decreasing the manual inputs of transactions at a later date. Managers will find helpful, the ability to view and approve expense reports while traveling.

Given the small penetration of web-enabled devices, this feature is definitely more forward-looking. Corporations should review this functionality and determine if it meets the culture of the organization.

**Key Success Factor**

▶ **Automation**

▶ **Online Capabilities**

**Methods of Achievement**

- **Secure a system that has the ability to perform the "lifecycle" functions of the expense reporting process**
- **Secure an online automated payment processing software system**

<sup>8</sup>Captura expense reporting software, Web site demonstration, January 2001.

# Expense Reporting

## Expense Reporting Steps

1. Upon log-in into the system, an employee will see his or her current expenses listed – those expenses paid with the Corporate Card. (See Screen 1)
2. The employee must create a name and add a business purpose for the expense report. (See Screen 1)
3. Next, the employee reviews card expenses and adds all applicable transactions to a given expense report. (See Screen 1)
4. If any card expense is listed as incomplete, the employee wants to add information to a transaction, or the employee wants to change the accounting code expense category attributed to a transaction, the employee can double click on the transaction. (See Screen 1)
5. By double clicking on the transaction, the employee can see travel detail and add/change information. (See Screen 1)
6. If an employee wants to add a cash, or other type of expense, the employee can click “add expense”. (See Screen 1)
7. The employee can then input data about that transaction and assign it to an expense category, which will generate an accounting code. (See Screens 2, 3)
8. When an employee completes the expense report, the employee can submit it for approval. The approval routing will depend upon the business parameters defined in the software. (See Screen 1)
9. Upon submission, the employee will see a confirmation that the expense report was submitted with the requested reimbursement amount. (See Screen 4)
10. The employee must then submit the required receipts based on the travel policy requirements.
11. All approved reports will then be automatically transferred to a company’s general ledger system.

Screen 1

STATUS	DATE	CATEGORY	VENDOR	AMOUNT
Ready	10/19/11	Airfare	Northwest Orient	193.32 USD
Ready	10/29/11	Parking	Alright Parking	10.88 USD
Ready	10/29/11	Meals-Breakfast	Schlotsky's Deli	9.49 USD
Ready	10/29/11	Taxi	Commuter Express	12.88 USD
Ready	10/29/11	Multiple Category	Radisson Hotel	154.28 USD
Ready	10/29/11	Meals-Breakfast	Denny's	9.45 USD
Incomplete	10/29/11	Meals - Lunch	D-Lux Deli	9.87 USD
Ready	10/30/11	Telephone	AT&T Calling Card	17.88 USD

Click Save to refresh totals:	
Total Report Amount	0.00
(Less Nonreimbursable Expenses)	0.00
Less Prepaid Expenses	0.00
Reimbursable Amount	0.00

## Benefits Realized

Companies utilize an automated expense reporting system because it:

- ▶ Decreases/eliminates manual processing, a significant savings in time and money
- ▶ Facilitates tax compliance (with pre-populated report fields)
- ▶ Significantly reduces expense reporting errors as a result of the pre-population of fields, and subsequently, export of the data into accounting systems without manual re-keying
- ▶ Increases employee satisfaction – spends less time completing reports
- ▶ Effectively saves money – integration of policy guidelines with actual expenses incurred enables “red flag” expenses to be quickly and easily recognized

Screen 2

**Captura Expense** ADD EXPENSE INFORMATION BACK QUICK REPORT HELP

**Required Fields. All items must be complete to process.**

Expense Category: - SELECT THIS FIRST  
 Date: 1/24/01  
 Payment Type: Cash  
 Expense Amount: 0.00  
 Expense Currency: US Dollar - USD  
 Receipt Available  
 Do Not Reimburse

SHOW OPTIONAL FIELDS

Take final action on the expense.

SAVE EXPENSE Tip - Add Expense  
CLEAR FORM

Screen 3

**Captura Expense** ADD EXPENSE INFORMATION BACK QUICK REPORT HELP

**Required Fields. All items must be complete to process.**

Expense Category: Auto Rental  
 Date: 1/24/01  
 Payment Type: Cash  
 Expense Amount: 95.99  
 Expense Currency: US Dollar - USD  
 Vendor: AVIS CAR RENTAL ADD  
 Receipt Available  
 Do Not Reimburse

SHOW OPTIONAL FIELDS

Take final action on the expense.

SAVE EXPENSE Tip - Add Expense  
CLEAR FORM

Screen 4

\*000168225\*

**CAPTURA**  
 5545 Park St.  
 Bellevue, WA 98008

**Travel Expense Reimbursement**  
 Employee: User 29  
 Department:  
 Expense:  
 T. H. #:   
 Date:  
 Pay or. Name: MasterCard  
 Reason for Expense:

Date	Category	Vendor	General Description	Per.	Payment Type	Amount
01/24/01	Auto Rental	AVIS		NO		95.99
01/24/01	Lodging	HILTON HOTELS		NO		379.85
01/24/01	Airfare	UNITED AIRLINES		NO		323.60

Employee's Signature: Total Expenses: 799.44

Manager's Approval: Less Cash Advances: 0.00

Mail Check To: User 29 Less Company Paid: 0.00

Less Personal: 0.00

**To Be Reimbursed: 799.44**

Please include receipts for all expenses

Accounting Use:  
 Voucher #: \_\_\_\_\_

# Expense Reporting

## **Best Practice #14:**

Utilize an Automated Expense Reporting System that Provides an Accounts Payable (AP) or General Ledger (GL) Interface

The final step in effectively streamlining an automated expense reporting system is to ensure it provides the capability of downloading expense report data into the Accounts Payable or General Ledger systems. This interface capability greatly decreases

manual processes – keying, manual posting, manual audits, etc. It also eliminates errors caused by multiple re-keying of data.

### **Key Success Factor**

- ▶ **AP or GL Interface**

### **Methods of Achievement**

- **Secure an automated expense reporting software system that exports expense data directly into the company's internal AP or GL system**

### **Benefits Realized**

Companies utilize an automated expense reporting system with an AP or GL interface because it:

- ▶ Eliminates manual process of keying data into both systems – saves time and money
- ▶ Eliminates human keying errors – ensures accurate data
- ▶ Ensures items are posted to the correct internal accounting codes

**Best Practice #15:**  
Notification of Employee  
Reimbursements Via E-Mail

Employees who travel frequently are often overwhelmed with the number of expense reports they need to submit, and when reimbursement for cash or incidental expenses is received, employees often don't know what expense report it's related to. An e-mail notification of the reimbursement

amount, and its associated expense report, would save the employee time in researching and reconciling their reimbursements. Some automated expense reporting systems have this as a built-in feature. The following notification could be sent to an employee:

To: (Name of Employee)  
From: (Name of Program Manager)  
Re: Expense report #243  
Expense report #243, submitted by you on 12/12/00, was processed on 12/13/00. Reimbursed amount of \$72.99 was sent to payroll, and will be included in your 12/22/00 paycheck.

**Key Success Factor**

**Methods of Achievement**

▶ **Automated Expense Reporting System**

- **Secure an automated expense reporting system with an e-mail notification of reimbursement feature**

▶ **E-mail Access to all Employees**

- **Have the automated expense reporting system e-mail the reimbursement notification message to employees**

**Benefits Realized**

Companies notify employees of reimbursements via e-mail because it:

- ▶ Increases employee satisfaction
- ▶ Decreases/eliminates unnecessary expense report reconciliation for the employee
- ▶ Eliminates employees' calls to program managers regarding the status of reimbursements

# Management Reporting

**Best Practice #16:**  
Utilize Online Management Reporting Features

Information is a very powerful tool – particularly when it’s timely and readily available for use. A corporation can collaborate with its card issuer and expense reporting software vendor to receive a variety of management

reports to meet the needs of multiple internal constituents. Reports can be provided to assist with the administration of card programs, provide transaction information, identify policy compliance exceptions, conduct financial analysis, and assist with vendor negotiations. Based on the type of the report, it may be utilized by card program managers, senior finance executives, purchasing managers, cardholders, and their superiors.

To identify policy compliance exceptions, managers can produce a “Lost/Savings Report,” which details dollars lost from the use of non-preferred vendors, particularly within the major T&E spend categories – refer to the Lost/Savings Report shown below. This report highlights how much tickets would have cost a corporation if preferred vendors were used versus the actual spending on the same trips. The information can be used to reward or impose penalties for compliance to the travel policy.

**Key Success Factor**

- ▶ **Online Availability**
- ▶ **Automated Expense Reporting System**

**Methods of Achievement**

- **Secure a card program that offers online management reporting**
- **Secure an automated expense reporting system that offers the management reporting feature**

**ABC Company Lost/Savings Report**  
**Airline Travel Use of Preferred vs. Non-Preferred Vendors**

Merchant Name	Preferred Vendor Rate	Total Trips Using Preferred Vendor	Total Travel Dollars Spent (YTD)	Merchant Name	Non-Preferred Vendor Rate	Total Trips Using Non-Preferred Vendor	Total Travel Dollars Spent (YTD)	Total Dollars Lost (YTD)
<b>USAirways</b>				<b>Other</b>				
East coast travel:	\$ 250 ea/RT	YTD: 15	\$ 3,750	East coast travel:	\$ 450 ea/RT	YTD: 15	\$ 6,750	\$3,000
Mid west travel:	\$ 350 ea/RT	YTD: 10	\$ 3,500	Mid west travel:	\$ 800 ea/RT	YTD: 10	\$ 8,000	\$4,500
West coast travel:	\$ 450 ea/RT	YTD: 12	\$ 5,400	West coast travel:	\$1,200 ea/RT	YTD: 12	\$14,400	\$9,000
<b>TOTAL</b>			<b>\$12,650</b>	<b>TOTAL</b>			<b>\$29,150</b>	<b>\$16,500</b>

**Benefits Realized**

Companies utilize online management reporting because it:

- ▶ Provides important data on how and where dollars are spent
- ▶ Provides important data for use during vendor negotiations, audits, and monitoring spend category trends

**Best Practice #17:**  
**Conduct Random Audits**

Auditing expense reports can be a time-consuming task for the Finance Department of a corporation. Audits are generally conducted to ensure compliance with current tax authority requirements, recognize employee misuse, correct expense category or accounting code errors, and ensure policy compliance. Changing technology can ease audit requirements through the utilization of management reports.

Management reports can highlight employee misuse and policy exceptions when employees exceed the business parameters defined by the organization. Instances of accounting code errors are substantially diminished with the use of an expense management package that maps to a GL or AP system. Finally, as

previously discussed in the expense reporting section, often a company's reporting requirements exceed those of the taxing authorities. A review and synchronization of these requirements may ease the necessity of auditing.

Select auditing will still be required. The Finance Department should follow up on employees documented in policy exception or other types of employee misuse reports. Also, the Finance Department should conduct spot audits of the remaining employee population. The spot audits should be carried out using a statistical sample of the total population. These spot audits should expose any employee misuse that exists.

**Key Success Factor**

- ▶ **Automation**
- ▶ **Comprehensive Audit Procedure**

**Methods of Achievement**

- **Secure an automated expense reporting system with automated audit**
- **Complete audits based upon statistical sample (audit every 30th report)**
- **Continue to conduct audits for those employees who are high risk for "potential fraudulent use"**
- **Ideas for audit parameters may include:**
  - \* a certain dollar amount
  - \* a letter of a last name
  - \* a certain department
  - \* a type of expense

**Benefits Realized**

Companies conduct random audits because it:

- ▶ Utilizes the investment in reporting technologies to highlight employees exceeding defined business parameters
- ▶ Saves time and money by catching employee misuse through statistical sampling



# Management Reporting

## Best Practice #18:

Utilize Comprehensive Spending Information to Secure Preferred Vendor Agreements within Major T&E Spend Categories

Controlling costs for a company's third largest operating expense is a very challenging task for travel managers. One of the most effective ways to better manage your expenses is through pre-negotiated rates with vendors whom the corporation conducts significant business with.

By placing all T&E spending on the Corporate Card or One Card, all data is captured in one depository for use in negotiations. Typically, card issuers are also providing enhanced data on these transactions, which may allow the corporation to track such information as which flight legs the corporation is purchasing most frequently or which car agencies are most cars being rented from. Using management reporting tools can help you identify vendors utilized and services purchased, and provide the data needed to leverage the best possible rates from airlines, hotels, car rentals, and telecommunications companies.

Examples of three types of management reports that are available via MasterCard Smart Data OnLine™ (SDOL), a web-based MIS reporting application, can be found on the following pages:

- A Merchant Category Monthly Summary Report (SDOL Screen Shot 1)
- A Merchant Monthly Summary Report (SDOL Screen Shot 2)
- An Airline City Pair Detail Report (SDOL Screen Shot 3)

These reports provide enhanced details to the category or merchant level to assist with vendor negotiations. Travel negotiation staff can now inform a hotel chain how much money is spent yearly on lodging by the corporation, creating an incentive for the hotel chain to offer special discounts to capture this sum of business.

While the MasterCard Smart Data OnLine application is highlighted here, many reporting solutions exist that offer this functionality. Card issuers will be able to consult on such solutions.

### Key Success Factor

- ▶ **Online Management Reporting Tools via Card Issuer or Expense Reporting Software**

### Methods of Achievement

- **Negotiate preferred supplier agreements with limited vendors**
- **Types of discounts a corporation considers when negotiating include:**
  - \* **Purchase in bulk (i.e., airline)**
  - \* **Flat rate discount – 10%**
  - \* **Tiered discount – up to "X" dollars**
  - \* **Discount on annual dollars spent**

### Benefits Realized

Companies utilize comprehensive spending information to secure preferred vendor agreements because they:

- ▶ Have a better negotiating position by utilizing actual spending data
- ▶ Save substantial dollars on frequently used products and services



# Travel Agency

**Best Practice #19:**  
Have a Mandated Travel Agency

To get the most for travel dollars spent, a corporate travel program should secure an exclusive relationship with a travel agency – and all employees should be mandated to use it. Booking all travel through one agency enables

the corporation to accrue important transaction data for management reporting purposes, as well as vendor negotiations.

**Key Success Factor**

- ▶ **Exclusive Agency Relationship**

**Methods of Achievement**

- **Secure an agency that is capable of servicing the travel needs of employees**

**Benefits Realized**

Companies secure an exclusive relationship with a travel agency for:

- ▶ Employee convenience – use one agency
- ▶ Assistance with vendor negotiations

**Best Practice #20:****Travel Policy Guidelines should be Fully Integrated into the Booking Agency's Computer System**

The travel policy is effective only if employees are complying with it. Travel agency reinforcement of the policy when processing travel purchases ensures compliance with a company's policy guidelines. As a result of technological advances, these policies

can be added to a booking agency's computer system to ease the agent's ability to recognize policy exceptions. The travel agent can then highlight exceptions to the employee and suggest alternatives.

**Key Success Factor**

- ▶ **System Integration**

**Methods of Achievement**

- **Secure an agency that is capable of providing integration of travel policy into its booking system**

**Benefits Realized**

Companies recognize that integrating policy guidelines within the agency's system is important because it:

- ▶ Ensures the success of policy compliance with regard to travel booking

# Travel Agency

## **Best Practice #21:**

### **Require Agency to Use Mandated Card Program**

By placing all T&E expenses on a mandated Corporate Card or One Card solution, all data is captured in one repository for later use. Corporate Card numbers should be provided to the

travel agency for automatic use when a trip is being purchased. Mandating your travel agency to use that card provides another seamless, automated step in an efficiently managed travel program.

#### **Key Success Factor**

- ▶ **Mandated Card Program**

#### **Methods of Achievement**

- **Mandate the use of one Corporate Card program for all T&E expenses**
- **Require the approved travel agencies to maintain employee profiles with the correct Corporate Card information**

#### **Benefits Realized**

Companies recognize mandating the use of a Corporate Card for travel purchase is important because it:

- ▶ Ensures the capturing of all travel purchase data
- ▶ Provides key management reporting data for vendor negotiations

**Best Practice #22:**  
**Require Agency to Provide Online Travel Booking as an Option to Employees**

Providing online travel booking can save money for a corporation, while increasing employee satisfaction. Online travel booking is viewed as a fast, flexible, and convenient alternative to contacting an agent via telephone. Most online booking systems also provide the ability to integrate a corporation's travel policy into the system. The system then automatically identifies transactions that conflict with the policy and denies the request.

Online booking systems can, therefore, be extremely valuable in ensuring policy compliance.

Typically, online travel booking is ideal for simple itineraries. Employees should still have access to a travel agent for more complex travel arrangements. MasterCard's internal online travel booking solution provided by GetThere, a Sabre Company, is illustrated on the following page.

**Key Success Factor**

**Methods of Achievement**

▶ **Internet/Intranet Access**

- **Ensure employees have access via the Internet/Intranet**

▶ **Online Booking Capability**

- **Provide online booking on either your company's Intranet website, or a designated page on the travel agency's website**
- **Encourage employees who frequent a particular destination to utilize the system**

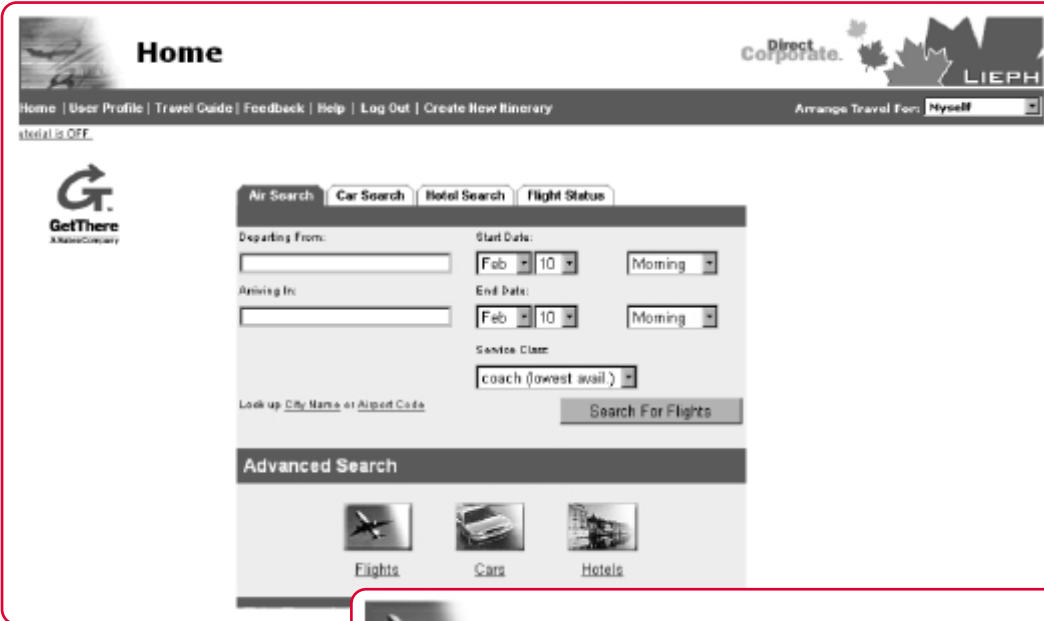
▶ **System Integrated Travel Policy**

- **Ensure the travel agency integrates travel policy guidelines**

**Benefits Realized**

Companies recognize the benefits of providing online travel booking because it:

- ▶ Provides another booking option to the employees
- ▶ Decreases the need/use of internal corporate travel department assistance – increasing automation efforts

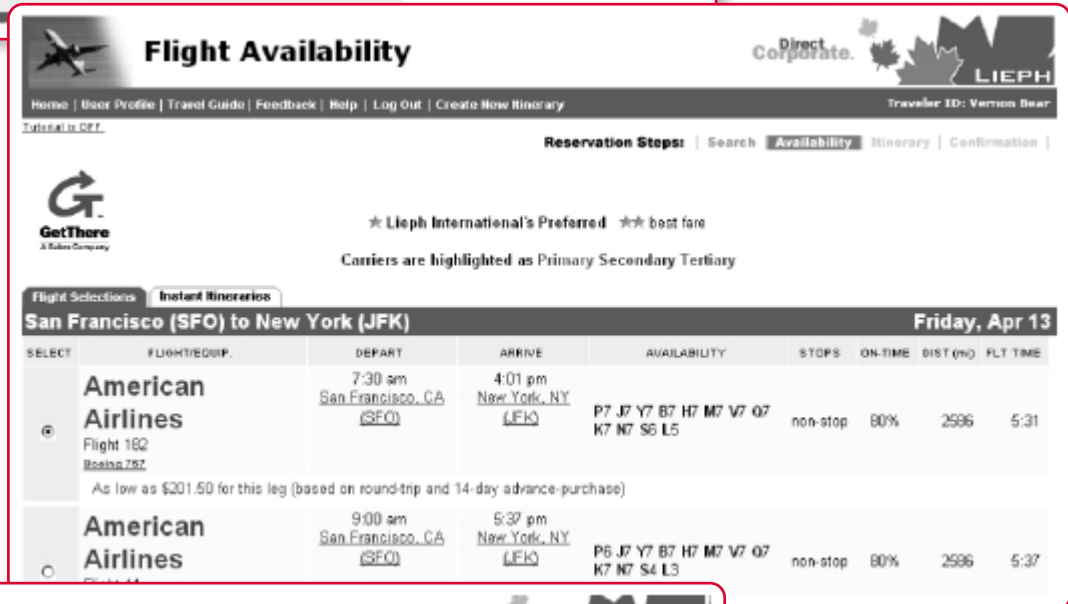


**Slide one (Home page)**

1. After logging onto the system with a User ID and password, the employee can choose from multiple options, such as air, car, hotel search, or flight status. Under Air Search, the employee can specify all of his or her travel parameters.

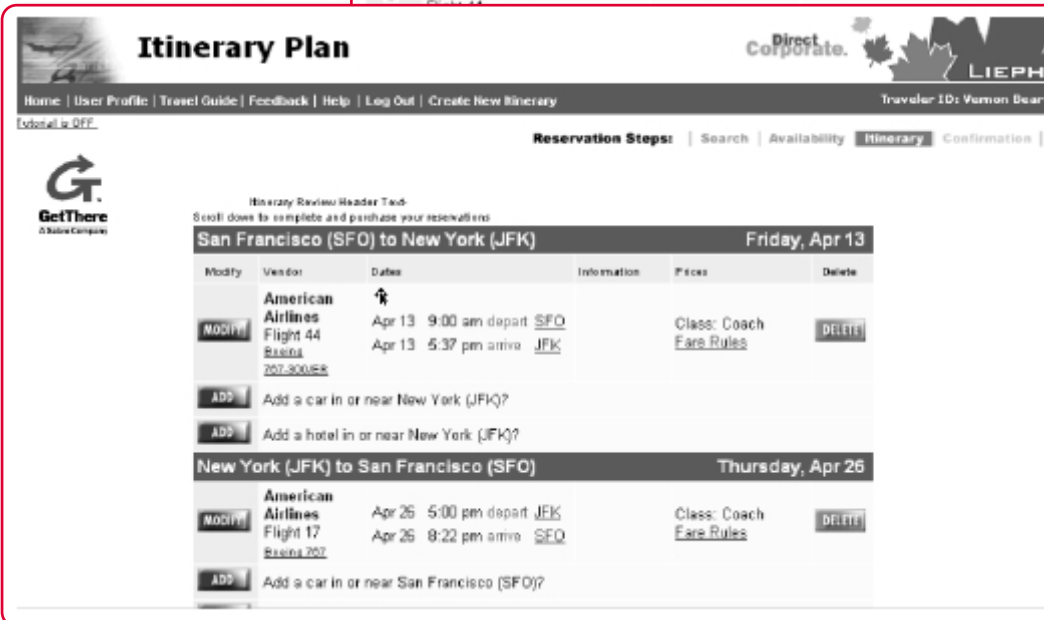
**Slide two (Flight Availability page)**

2. The online booking system will then suggest a list of flights from which the employee can choose.



**Slide three (Itinerary Plan page)**

3. The employee can then view which flights were chosen and add car or hotel service to the chosen destinations.



**Best Practice #23:**

**Deliver Travel Itinerary Via E-Mail**

Another cost-saving measure in booking and confirming travel for employees is the delivery of the travel itinerary via e-mail. Many automated travel-booking systems offer the functionality to generate an e-mail to

the employee. Online booking systems enable employees to print the itinerary themselves. The company saves money by eliminating the costs to print and deliver itineraries, while employees benefit from increased accessibility of the itinerary information.

**Key Success Factor**

- ▶ **Internet Access for Employees**

**Methods of Achievement**

- **Have the agency e-mail the travel itinerary to employees**

**Benefits Realized**

Companies recognize the benefits of this best practice because it:

- ▶ Saves the company postage and handling fees of hard copy itineraries when they need to be mailed, or, in an emergency, sent overnight
- ▶ Provides employee convenience as employees can simply “screen print” the itinerary, or access it via a wireless web device if arrangements are made while on the road



**Best Practice #24:**  
Utilize Electronic Ticketing (E-Tickets)  
for Air Travel

The corporation should promote e-tickets for air travel use. The travel agency can provide the ticket confirmation number in the employee's e-mailed itinerary, alleviating the need for any inter-office delivery of itineraries or tickets. The employee can then go directly to the gate or airline-provided kiosks for check-in and seat

assignment, by providing the reservation number and proper identification. The employee can receive a receipt upon check-in or utilize the Corporate Card statement as a receipt. Travel managers should contact preferred airline vendors to verify correct check-in procedures.

### Key Success Factor

- ▶ **Internet and E-mail Capabilities for Travel Agency and Employee**

### Methods of Achievement

- **Have the agency e-mail the travel itinerary with e-ticket confirmation number to employee**
- **When utilizing the online booking system, screen print your confirmation, or utilize a wireless device to retrieve the information, when checking in at the airline**

### Benefits Realized

Companies recognize the benefits of this best practice because it:

- ▶ Eliminates in-line ticketing; employees check in at the gate
- ▶ Eradicates the need for inter-office mailing/hand delivery of tickets
- ▶ Saves the travel agency the expense of printing hard copy tickets
- ▶ Eliminates the need to have a "physical ticket" in hand in order to travel



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