



POINT OF VIEW

Stepping beyond traditional T&E audit and compliance reviews

Making the move from reactive to proactive checks to minimize fraud and regulatory exposure, and prevent spend leakages

As organizations recover from the initial shock of COVID-19, they are looking to build stronger, more resilient businesses while keeping an eye on cost. And at the same time, regulators are anticipating an increase in fraud and corruption cases. They are more vigilant than ever, committed to investigating and penalizing noncompliance.

Travel and entertainment (T&E) transactions are highly vulnerable to noncompliance and fraud. It's not unheard of for employees to claim non-business-related expenses or claim a personal expense on their company card. Left unchecked, incidents of noncompliance can increase cost substantially and snowball into multimillion-dollar penalties. For example, a leading pharmaceutical company had to pay a penalty of \$490 million due to counterfeit fapiao (an official invoice recognized by the Chinese tax authorities) submissions. Bribes to doctors and healthcare professionals were being routed through T&E claims.



How your company chooses to manage its T&E audit and compliance process and the solutions you use can prevent spend leakage and avoid significant reputational damage in an environment where stakeholder trust is critical. And with digital technologies such as artificial intelligence (AI) and machine learning, you can transform T&E audit processes and enhance how you manage risk and meet regulatory demands, eliminating inefficiencies and plugging spend leakage that can deliver savings of up to 5% of your annual T&E expense.

Understanding the challenges

In building a comprehensive T&E audit program, companies must overcome key challenges:

- **No single source of information:** It's likely that your T&E data resides in different ERP systems, expense-management platforms, and even Excel spreadsheets. With disparate sources and inconsistent formats, building a centralized review mechanism is challenging
- **Unstructured receipt formats:** Though technology creates value, it can't fully replace people. For example, machine-vision technologies can review printed and structured receipts, but you need to manually review unstructured or handwritten receipts if AI engines cannot decipher them
- **Keeping up with global and local regulatory variations:** Multinational companies must factor in both local and global compliance requirements when designing T&E audit methods. For instance, a US organization that has significant presence in Europe and Latin America must comply with regulations such as the Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and the Brazilian Clean Company Act
- **Multilingual data sets:** Digital enablers for fraud and compliance programs need global capabilities that can support data sets and receipts in local languages
- **Lack of risk and compliance expertise:** Companies need deep regulatory domain and risk expertise to identify potential exposure and true cases of noncompliance

Rethinking T&E audit programs with digital

Digital and analytics can transform existing T&E audit processes, enabling companies to enhance their risk and regulatory coverage while also generating operational efficiencies and improving their user experience.

Within a T&E audit program, companies can embed digital technologies in a variety of ways to improve compliance and prevent spend leakage:

- **System of engagement** enables seamless integration of disparate expense management systems so that companies can audit 100% of their expenses as soon as they are submitted to identify incidents of noncompliance, duplication, errors, and overspending
- **AI-enabled customizable algorithms** can instantly flag high-risk spend, focusing on receipt verification, daily spending limits, policy compliance, duplicates, and regulatory and fraud checks
- **Running analytics for** regulatory risk and fraud can identify concerning spend patterns, perform root-cause analysis, and provide opportunities to enhance compliance
- **Machine vision/optical character recognition** can validate receipts and supporting documents across languages to audit information such as amounts, dates, and spend categories
- **By curating data from external sources** such as merchant databases, the US Office of Foreign Assets Control, and the list of Specially Designated Nationals, companies can, for example, enrich their ability to review and identify transactions with suspicious or prohibited vendors, foreign officials, government-owned entities, and politically exposed persons
- **Case-management workflows** can handle exceptions and enhance audits as they create an end-to-end trail and backup review documentation. Workflow capabilities also allow you to automate follow-up communications and escalations so that you can track each step and quickly close control gaps

Combine digital and compliance expertise to proactively control expense fraud and mitigate noncompliant exposure

Digital technologies and analytics can improve efficiency, speed, and accuracy, but you still need a team of risk and compliance professionals to analyze and review exceptions and apply their judgment to any insights from the technology.

An audit or review is only complete when you've performed substantive reviews, meaning you've validated the exceptions, completed a root-cause analysis of the final gaps, and defined a remedial action plan. When organizations understand the source of noncompliance, they can act on it to minimize the likelihood that it may happen again by adjusting policies and encouraging behavioral change.

By combining automation and analytics with compliance expertise, companies can unlock new capabilities and transform their T&E audit processes. This enables them to:

- **Proactively avoid regulatory violations and sharpen fraud detection** by reviewing 100% of T&E transactions and detecting all potential incidents of noncompliance

- **Move away from reactive tracking** - chief financial and compliance officers and their teams can become proactive with preventive controls that use near-real-time monitoring and reporting
- **Improve employee spend behavior** - the insights from root-cause analysis guide the creating of remediation plans and improvements for policies and procedures so you can prevent fraud and boost overall compliance health
- **Enhance savings** - organizations can spot overspending and reduce leakage by between 3% and 5% of annual T&E spend. And by reducing the level of manual audit work required to review T&E transactions, they can cut overall audit costs by approximately 40%

Combining a data-driven, digitally enabled T&E audit program with risk and compliance knowledge, your company gains major advantages over standard methods. It can significantly increase your ability to monitor regulatory compliance and fraud and de-risk your organization.

By stepping beyond standard approaches with a complete, user-friendly, and industry-agnostic T&E monitoring solution, your company can benefit from actionable insights and feedback mechanisms that cut the time spent reviewing expenses, pay employees faster, reduce errors, improve cash flow, and enhance experiences.

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