

Travel and Expense Auditing Best Practices

Real-World Advice from
Recognized Industry Pros



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About this guide's contributors

A guide like this can only provide real value if it helps solve real world problems. That's why we engaged four members of the **SAP Concur Government Contracting Leadership Council (GCLC)**.

These individuals represent a diverse range of organizations from different regions and industries and have decades of experience managing T&E challenges unique to aerospace, defense, and government contractors. Like you, they walk the walk every day, navigating the gray areas of Federal Acquisition Regulation (FAR) and continuously seeking out ways to effectively manage compliance without eroding efficiency in the process.

The GCLC acts as an unbiased, strategic voice for the SAP Concur aerospace, defense, and government contractor customer community, providing feedback, thought leadership, and partnership with SAP Concur to better support our customers within these industries. The GCLC is also committed to sharing their best practices with the broader government contracting community for everyone to benefit from the lessons learned along the way.





Running a T&E Management program for a government contracting organization is a delicate balance

Processing reimbursements in a timely manner, while keeping overhead low, is only part of the challenge. You also have the added burden of making sure those expenses – and your travel policies – conform to complex, sometimes conflicting, rules and guidelines. A few wrong moves could put your job, and your company's contracts, in jeopardy.

With so much at stake, travel and expense (T&E) managers must consider every tool in their arsenal to reduce risk. Although internal audits are a big part of that process, the real goal is prevention – putting procedures and check-points in place to proactively stop compliance violations long before they become costly surprises down the road.

In this paper, some of the top T&E executives in the country share practical advice on how they navigate the challenges of government contractor compliance. They discuss approaches to rule interpretation, policy setup, and employee education, as well as the use of internal controls and automation throughout the expense workflow. They

discuss the role that robotics, AI, and machine learning play in their operations planning processes to improve the user experience and create more simplified work streams in the not-to-distant future.

At the close of this paper, we will share how SAP Concur is leveraging machine learning and AI to streamline the expense management process to improve compliance, more effectively manage risks, and give time back to your employees so they can focus on more value-driven tasks. In short, this is a collection of smart strategies designed to help you address the challenges you face every day, while keeping your sanity in the process.



Interpreting the DCAA: Don't go it alone

If you ask a dozen T&E leaders in the government contracting space what's the most challenging part of their job, you'll likely get the same answer: Interpreting the Defense Contract Audit Agency (DCAA) requirements.

Although the DCAA provides a lengthy list of rules and guidelines, many of these are open to interpretation. Take the "lowest price available airfare" requirement of FAR 31.205-46 as an example.

What exactly is the right window of time for assessing the lowest available airfare? Four hours? Six hours? Is the travel window during regular business hours, or a 10-12-hour timeframe? Ask four different DCAA auditors and you'll likely get four different answers. This example is only one of the myriad of DCAA regulations shrouded in ambiguity.

So, how do you protect your company from a potential audit war when the rules of engagement aren't hard and fast?

Here's what our experts advise:

- 1** Work closely with your compliance and legal teams
- 2** Talk to your peers
- 3** Be consistent
- 4** Take a holistic view



1 Work closely with your compliance and legal teams

It's important to remember that DCAA compliance is not a one-person job. Although you are responsible for monitoring policy adherence on the expense side, if some of those expenses come into question, your compliance department is the one charged with defending them. So, when you're creating or updating a policy, work closely with your compliance and legal teams to accurately assess the level of risk.

If the policy adjustment could be controversial with staff, our experts recommend involving someone from human resources, as well. For example, one company adjusted its travel policy from "lowest refundable fare" to "lowest

available fare," the latter of which typically has fewer prime seats available. That meant many of its frequent fliers would now be traveling in the middle seat in the rear of the aircraft, rather than their customary choices on a higher-priced fare. Involving human resources enables the team to create a joint strategy for announcing and enforcing the new rules, without frustrating employees in the process.

Even if you are a smaller company with one compliance officer, work with that individual, as well as senior management, on policy development. The top-down support will be critical for enforcement and change management, which can sometimes be more challenging in a smaller enterprise where staff is used to doing things their own way.

36% of government contractors say that the top goal of upgrading their T&E solution is being able to better meet industry regulations.¹



2 Talk to your peers

Chances are, if you're struggling to navigate a revised FAR or other DCAA requirement, every one of your peers at other government contractors are doing the same thing.

Although you'd never show your T&E policy to your competitor, if you have a network of T&E leaders at other companies, ask them how they're interpreting the new rule. Information provides perspective when you're hashing things out with your compliance team and senior management.

If you're new to the industry or don't have a strong peer network, find out if your T&E system provider holds user groups. These types of organizations are great resources as members are typically open to sharing their knowledge and solving common problems with other users. The fact you're on the same system is an added bonus — you can share how their T&E system helps enforce the new or revised policy.





3 Be consistent

After establishing your policies, consistently enforce those policies across your organization. Although larger companies could have rogue organizations that defer to “the way they’ve always done things,” it’s critical to show DCAA auditors that you’ve followed the rules as you interpreted them. You may still have to defend some allowable expenses with auditors, but your steadfast adherence to your defined policy will give your organization a negotiating advantage.

4 Take a holistic view

Remember, although the DCAA may be a guiding agency, it shouldn’t be the only driver of your T&E policy. It’s important to look at the IRS and other requirements as well, and set up your policies and T&E systems accordingly.



“You have to remember that you’re not a single silo of expense management. You have to work with your compliance, payroll, legal, and HR teams to really understand the element of risk.”

GCLC Member



No train, no gain: Make sure employees really understand your T&E policy

No matter how detailed your T&E policy may be, or how clearly you articulate it, it's important to remember that these policies aren't "if you build it, they will come" propositions. Adherence takes time, training, and effective change management, starting from the top down.

To mandate or not to mandate

Although our experts believe government contractors need a mandated policy, they were also quick to point out that compliance is a process. Successfully rolling out the program requires finesse, communications, and continual reinforcement.

Since every company is different, these best practices can help you move from voluntary compliance to a corporate-wide mandate with the least amount of pushback and pain:

- Make sure you have visible senior management support.
- Spend time up-front working with managers and department heads,

as they are your first-line defense against compliance violations.

- Start communicating early. Clearly explain what you're doing and why it's important for the company and its ability to compete for government contracts.
- Provide adequate training, online resources, ongoing newsletters, emails, and "tips" to keep the new policy top of mind.
- Let your employees ease into the change. For example, if the policy involves the mandatory use of corporate cards, you can roll out this policy first— or whichever mandate is most critical for resolving current compliance challenges.
- Offer a transition period and then a grace period for employee coaching, before setting a concrete date for rejecting reports that don't comply with policy.



Think of Training as a Continuum

Something as critical as T&E training can't be a once-and-done proposition. To get the kind of compliance government contractors need, the training and the technologies you use should be thought of as a continuum that reinforces policy information, reminds travelers what they need to do, and makes it easy for them to comply.

For instance, most T&E leaders recommend offering monthly “refresher” trainings, communication in newsletters, as well as providing online resources. Again, instead of keeping these materials stagnant, make the time to update content and FAQs to reflect the kind of calls the Help Desk is getting.

There could be a significant gap between the time someone is trained and when they first travel or submit an expense. To mitigate this issue, some companies require staff to take a short, online test to ensure understanding of the policy before booking travel or submitting expenses.

Our experts also recommend creating a just-in-time training tool for infrequent travelers to prompt them through the

process. Taking these steps up-front reduces the number of required audits and unallowable expenses later on.

Make Sure Every Expense Report Tells a Story

One of the biggest challenges and biggest points of contention in DCAA audits, is the lack of a clear business justification for the travel or expense. In the world of compliance, “miscellaneous expense,” or “travel for client,” just isn't going to cut it.

DCAA audits could occur 3 or 5 years down the road. So, it's critical that every expense report stands on its own—documenting the who, what, when, and why of the expense. Filing in the blanks can be difficult at best. Who can remember the details of specific trips or meals from years past?

Without justification, the DCAA could remove those expenses in question, which means your company could take a financial hit for something that would have been allowable if adequate documentation had been included.



Get it together: Make sure systems and processes align with your policy

After you've standardized your T&E policy, make sure your processes and systems align with that policy. This approach improves efficiency, governance, and the overall user experience for your travelers as well. Some things to keep in mind:

Decrease “Exceptions to the Rule” as Much as Possible

In the real world, there will always be exceptions to rules. But, as much as possible, corral the rogue departments that have a legacy of blazing their own trails and move them to standardization. For example, if the standard is reasonable and an actual expense, and you have two or three departments that have always billed per diem, you'll see efficiency gains if everyone is doing the same thing, the same way. If your organization merges with or acquires another company, the faster you can get everyone on the same policy, the better.

Fewer Choices Equal Improved Compliance and Reduced Costs

Many of the T&E professionals contributing to this paper heralded the power of one—starting with the use of one corporate card for all expenses. Not only does this approach increase opportunities for rebates, but it also enables you to analyze how much spend is occurring with each vendor. This gives you the hard numbers you need to negotiate reduced rates with these vendors, even if you're a smaller company.

A graphic showing the number 87% in a large, bold, black font. The percentage sign is white and set against a teal-colored background that is shaped like a right-angled triangle pointing to the right.

Top performing SAP Concur customers report 87% of all employee spending happens on corporate cards.²



Help Travelers Do the Right Thing

No matter what size company you are, a customizable T&E system can become your greatest advocate if you fully utilize that capability to help travelers comply with your policies.

For example, one organization was getting a high volume of expense reports with incomplete business purpose documentation. To remedy the situation, T&E leaders turned the field for justification into three different fields within their online expense tool; for the where, the why, and the who. Tips above each field were also added to guide the user through the required information. This relatively easy adjustment dramatically reduced the incidence of omissions because it guided the employee through the process.

Another company set up its system so that instead of attaching receipts as a package, travelers attach receipts per line item. This shift ensured all the required receipts were included on the first round.

Others have set up unique expense types in their systems so employees know whether items are taxable or not. While others have added flags on how to allocate expenses for business meeting meals—both those with and without government employees in attendance.

"If you put more trust in your employees and the employees can trust the process, and you keep the policy light, the policy is simple, you may actually provide an organization with better controls, efficiency, and employee satisfaction."

Jeanne Dion, VP Value Experience, SAP Concur
[SAP Concur Conversations Podcast](#)



The best defense is a good offense

Creating a Comprehensive Audit Strategy

If you ask a variety of T&E pros what, how much, and when to audit, the most consistent answer is, “it depends.” What you send to your internal audit team or a third-party audit provider depends on a number of factors, ranging from your size, to your tolerance for risk, to the details of your policy.

More often than not, our experts automatically routed these types of expenses to their internal audit teams for review:

- Premium airfare
- Any international travel
- All expense reports submitted by vice president level or higher
- All expense reports from anyone involved with or impacting the T&E system
- Any unusual Merchant Category Code or exceptionally large expense
- Anything categorized as “Other Travel!”

However, as important as it is to have your internal audit team include various audit checkpoints throughout the T&E process, it’s rare that an organization can devote the time and resources needed to review all of its expense reports. When fraud is suspected, many organizations will check random samples or those above an allowable per diem. However, manually reviewing expense reports is slow and prone to human error.

Again, technology can offer a practical solution. By supplementing your internal audit team with a tool that can review expenses in near real-time using machine-learning technology, you’re able to evaluate all reports for errors, potential fraud, company policy, and regulatory compliance issues. With an automated auditing tool, you’ll save time and money, and gain peace of mind to reimburse expenses.



Maximizing System Audits as an Extra Set of Eyes

The more you can use your system to drive compliance, the more efficiencies you gain. Start by configuring your system to mirror your policy; but do this as much as you can without customization. Having an expense tool you can configure on the front and back, without custom coding, gives you the oversight you need with the flexibility to alter your policy as needs evolve.

The more automated checkpoints, the better the outcome.

How to estimate your audit costs

$$\frac{10 \text{ minutes per report audit} \times 10,800 \text{ number of expense reports per year}}{60 \text{ minutes per hour}} = 1,800 \text{ total number of hours spent auditing annually}$$

$$1,800 / 2,000 = 0.9 \text{ FTE}$$

Divide your results by 2,000 (total hours per employee per year) to assess the cost

Fully Utilize the Power of Your Human Capital

While the value of technology is great, our contributors are quick to point out that it's the combination of technology and people that ensure compliance. These are your five lines of defense:

1. Employees submitting the expense report, as they know what those expenses are for and how they fit into the scope of the contract.
2. Employees' reporting managers who work on the contract. Train them to adequately vet the incoming expense reports before moving them down the line.
3. Your T&E system, set up to recognize omissions, exceptions to policy, and questionable entries.
4. Accounts payable, who looks at receipts, T&E justifications, and expense breakdowns.
5. Your regulatory compliance department, often looking at a sampling of the population of reports.

When all of these lines of defense work together, efficiently, the organization has the best outcomes.



The role of emerging technology: How automation, Artificial Intelligence, and machine learning are changing the game

Just as technology transformed a once paper-based expense process, newer innovations — robotics, AI, and machine learning — are now being applied to improve efficiency, compliance, and the user experience in T&E organizations nationwide.

All of our experts have either implemented solutions or are in the planning stages of projects that use these newer technologies to improve efficiency and outcomes in their organizations. Some of these initiatives include:

Expense Report Wizards

One organization developed a wizard to simplify expense reporting for infrequent travelers. Employees answer a few simple questions—“Where did you go?”, “When?”, “Why?”—and upload receipts. The wizard then creates and submits the expense report, saving time and reducing frustration.

AI-powered Help Desks

To address policy-related questions, one organization implemented an AI-powered digital agent. Employees get

instant, accurate answers without overloading the T&E team or managers. The agent continually improves its knowledge, delivering better support over time.

Receipt Reconciliation

One customer uses OCR and automation to validate receipts and catch errors early, such as a parking receipt misclassified as a car rental. This ensures compliance before reports move forward. Another company uses technology that validates business meal attendees and trip details ahead of human review.

The real game changer comes when this technology can look up attendees for business meals, confirm purpose, and validate information before a human audit.



Automated Benchmarking

One organization uses real-time benchmarking within their T&E dashboard to uncover the full cost of processing expense reports, including overhead. This tool also compares their audit efficiency and expense lifecycle costs against industry peers.

Virtual Auditing

One customer is able to review 100% of expense reports with the help of AI. Exceptions are flagged for human auditors, who then focus on more strategic analysis. This approach scales their audit volume while improving accuracy and compliance.

65%

of CFOs expect AI to have the most finance team impact on more effective risk management.³





Using data to spot trends and red flags

One of the biggest benefits of the digital age is the ability to aggregate and analyze data. While continual data analysis is critical to running a corporation, it is also one of the best ways for T&E leaders to spot trends or patterns, identify rogue employees, or pinpoint areas requiring further review.

All of our experts have either implemented solutions or are in the planning stages of projects that use these newer technologies to improve efficiency and outcomes in their organizations.

For example, one organization uses analytics to identify employees who select hotels or rental car companies above or outside the program – which mandates the use of particular vendors. It also analyzes business meal expenses to identify anything that appears excessive or strays from the norm.

Other organizations use analytics to uncover:

- How many times individuals are traveling to the same state.
- How many times individuals are traveling to their home state.
- Which individuals have high numbers of non-travel purchases.
- High dollar purchases at local restaurants or venues.

One of our contributors runs all the company T&E data through predefined algorithms to identify errors the staff couldn't find easily in a day-to-day audit. For example, the solution pulls in all merchant codes for credit card expenses and compares these to the expense types that were actually used.



The idea is to use technology to find compliance issues and potential fraudulent issues, then use that information to not only trigger auditors, but also train the staff members who are making mistakes.

Because a variety of reporting options are available in today's booking and expense tools, you don't have to be a large organization with an analytics team on staff to benefit from analytics. All you have to do is use the data and reporting features available in your system.

Ultimately, as near real-time analytics within the T&E system become a reality, organizations will be able to reallocate resources. Instead of relying on six or seven people to find the errors, the organization can cut that number in half, and reallocate the others to more higher-level work that contributes to company growth and innovation.



“You want to constantly monitor the spend that falls outside of your program. For us, that's where data analytics is key. ”

GCLC Member



Meeting the challenge: The power of humans and machines working together

Managing a T&E program for a government contractor is a challenging job, as we've heard from your peers in this paper. At SAP Concur, we believe combining human expertise with machine learning can enhance compliance, streamline processes, and transform your approach to T&E management.

By applying machine learning to expense management and using AI to learn from employee spending behavior, these technologies can uncover patterns the human eye cannot detect. At SAP Concur, we use AI and machine learning to eliminate manual processes and add intelligence to applications to make everything from travel booking to expense auditing run smarter.

Some examples of AI and machine learning at play in SAP Concur solutions include:

- **Expenselt:** Built into the SAP Concur mobile app, Expenselt allows employees to simply snap a photo of their receipt. AI then extracts key details—like amount, seller, and tax info—and automatically adds the data to their expense report, streamlining the process.
Concur Request: Uses Gen AI to provide employees with intelligent cost estimates for their trip. Estimated costs are automatically added

to the request as expected expenses and can be adjusted for flight class, connections, and more.

- **Verify:** Harnesses the power of AI to automate and enhance processes, helping spot duplications, errors, out-of-policy spend, and patterns difficult for humans to see. Auditors are then freed up to spend time on riskier transactions.
- **Intelligent Audit:** Combines machine learning from user data and a team of human auditors to find misuse, waste, and non-compliant spending. This allows finance teams to focus on forecasting and other more strategic work.
- **Concur Invoice:** Invoice Capture uses OCR technology (optical character recognition) and machine learning to capture invoice data and improve accuracy by learning from historical patterns.
- We also offer these **Solution Extensions** that leverage AI: Concur Detect by Oversight, Concur Tax Assurance by Blue dot, Concur Benefits Assurance by Blue dot, and Concur User Assistant by Walkme.



Putting these best practices to work

SAP Concur solutions adapt to meet the unique needs of your organization, whether you're a large international contractor or a small U.S. firm entering the government contracting space. Our solutions rigorously adhere to the compliance rules you establish, helping ensure employees stay within policy and avoid costly mistakes.

And with features like customizable, just-in-time training from Concur User Assistant by WalkMe, employees receive the guidance they need precisely when they need it, enhancing efficiency and confidence.

At SAP Concur, we're redefining what's possible with AI and machine learning in T&E management. By streamlining T&E processes, we empower government contractors to focus more on value-driven tasks while minimizing risks, improving compliance, and driving cost savings.



Ready to boost employee satisfaction, cut costs, and save time on T&E audits? [Visit us online](#) or [join our community](#) today.

More helpful links:

[eBook: 4 Trends Shaping the Finance Function for Government Contractors](#)

[Wakefield Report: As Aerospace, Defense, & Government Contractors Seek Spend Transparency, Technology Upgrades Will Be Key](#)

[Video: Enhancing Spend Efficiency and Security for Aerospace, Defense, and Government Contractors](#)





Learn More:

www.concur.com or on the [SAP Concur blog](#)

SOURCES:

¹Wakefield Research, "As Aerospace, Defense, & Government Contractors Seek Spend Transparency, Technology Upgrades Will Be Key, 2024

²SAP Concur customer data, January-Dec 2022

³SAP Concur 2024 CFO Insights Study