



How to keep track of employee expenses

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Juggling employee expenses can be stressful for small business owners. From unclear policies that may lead to overspending to time-consuming manual tracking, time spent on these activities can cause headaches and distract you from growing your business. Implementing the right strategies and technology-driven solutions can make for a more organized and streamlined process.

Read on to learn more about streamlining your expense management, gaining valuable insights into spending patterns, and making better financial decisions for your business.

Create a clear expense policy

A well-defined expense policy is the first step toward effective employee expense management. It can help reduce misunderstandings between employees and management, help prevent overspending and help you stay on top of financial goals. To get started, create clear documentation to share with employees and serve as a guide for everyone within your organization.

Here are some examples of what to include:

Reimbursable expenses:

- Reimbursable expenses: Common categories include travel, meals during work travel, office supplies, client entertainment (as applicable) and other job-related costs. Be as specific as possible within each category to avoid confusion. Check the IRS website for [expense guidelines](#) such as standard mileage rates.
- Non-reimbursable expenses: Note any expenses the business won't reimburse, such as personal expenses, unauthorized entertainment or any expenses that exceed policy guidelines.
- Spending limits: Specify per-day amounts, also known as per diem, that set maximum amounts for individual items or overall budget limits for specific categories, such as meals when traveling for work. Consult industry standards and regional cost-of-living differences to help set the limits.
- Approval process: Outline how employees should create and submit expense reports, who can approve expenses and authorization levels for different dollar amounts. For most small businesses, the expense approver may be the owner or accounting manager.

Choose the right expense-tracking tools

A well-oiled tracking system for employee expenses can save you time and provide valuable insights into your business's spending patterns. The best method of tracking expenses is one that streamlines your workflows and that you can consistently follow. The ideal solution for your business depends on factors such as the size of your team, whether they travel and your budget for technology tools.

Here are some of the tools you may want to consider to help track expenses:

- Spreadsheets: Spreadsheets provide a simple approach for tracking employee expenses. For smaller businesses, a shared cloud-based spreadsheet template can work as long as it's reconciled regularly.
- Accounting software integration: If your business already uses accounting software, you may already have built-in expense tracking. If not, consider exploring options for software that can be integrated with expense-tracking add-ons.
- Expense tracking apps: Specialized apps designed to simplify expense management have become increasingly popular. These let employees capture photos or digital receipts, automatically categorize expenses and create streamlined documents for reporting.
- Business credit cards: Company-issued credit cards also allow businesses to track expenses. However, policies around acceptable credit card use must be created to avoid mixing business and personal expenses.

Build a documentation and record-keeping system

Good financial record-keeping is essential for accurate expense management, and it can help your business in several ways. Beyond keeping documentation for tax purposes and audits, the data can provide valuable insights into your spending patterns and financial health, as well as inform budget decisions. Clear documentation can also help you protect your interests if discrepancies or disputes with employees or vendors arise.

Here are some key aspects to consider as you create a record-keeping system:

- Receipt requirements: List the proof-of-purchase documents you need for expenses. Ensure that employees keep and provide all receipts and purchase documentation.
- Storage options: Consider the best methods for storing records. If you're using expense apps, create standard operating procedures for how and where these should be stored. Many businesses may choose cloud-based storage as a secure and organized solution.
- Record retention: Refer to [Internal Revenue Service \(IRS\) guidelines](#) for the length of time you need to keep business expense records. Consult with your accountant for recommendations based on your business structure.
- Fraud prevention: A clear, documented strategy and review process can help protect your business against fraud and act as a first line of detection. Early detection can help you take quick action to minimize losses.

Take control of your employee expenses

Managing employee expenses can be a source of stress and frustration for business owners, draining resources and distracting them from growing their businesses. A streamlined, efficient expense management system can help save time and money and provide valuable data-driven insights to inform financial decisions.

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