The Wire...from **AirPlus.**
(North America Edition)

Detecting and Controlling Travel Expense Fraud.

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.

> Travel expense reporting is well known for its vulnerability to fraud. Mandated payment tools, tight integration of systems and consistent auditing are critical to prevention.

In its 2012 Report to the Nations on Occupational Fraud and Abuse, the Association of Certified Fraud Examiners (ACFE) reported that nearly 15 percent of fraud in the workplace is tied to expense reporting, including travel expenses, only second to billing schemes, which comprise 25 percent of occupational fraud.

According to the same report, the median financial hit to an organization for a single instance of expense fraud is $26,000, and the median duration of the fraudulent activity is two years. The good news, however, is that these numbers have decreased slightly since ACFE's previous report in 2010.

In February, AirPlus International fielded a survey to corporate travel managers to explore the various roles they play in the area of expense and how they contribute to closing the loop on fraud in the travel category.

The largest group of respondents (35 percent) reported that they manage both travel and expense within their organizations, showing the critical

For this issue of *The Wire*, AirPlus International surveyed 119 corporate travel buyers in North America from February 20 to March 5, 2013. More than 50 percent of respondents reported annual travel spend above $10 million and 24 percent reported spend above $50 million.

Which of the following best describes your involvement in your company's expense management?

Manage both travel and expense	35%
Manage expense, but not travel	4%
Involved in creating expense policy as it relates to travel	15%
Travel policy gives guidelines for reporting on travel expenses, but I am not very involved	30%
Not at all involved in expense	7%
Other	10%

Note: Adds to more than 100% due to rounding

relationship between the two roles. Another 15 percent of survey respondents identified their role as travel management but were closely involved in creating expense policy as it relates to travel. On the flip side, however, 30 percent of travel managers said their company's travel policy had some expense guidelines, but that travel had little involvement in the development or enforcement of those guidelines. Another 7 percent said they were not involved at all in expense.

Eight percent of survey respondents reported that their companies had uncovered significant fraud in travel expense reporting over the last two years. That said, 19 percent of respondents simply said that they didn't

In which of the following ways does your company safeguard against fraud when it comes to travel expenses?

Require receipts for all travel expenses	66%
Require use of lodged/central bill card for some or all travel expenses	20%
Require use of corporate card for travel expenses	59%
Integrate corporate card with expense technology	46%
Require manager approval on all expense reports	81%
Targeted reporting strategies, e.g. identifying proliferation of small cash purchases	15%
Regular auditing of expense reports	52%
100% auditing of expense reports	19%
I don't know	1%
Other	6%

Note: Respondents asked to choose all activities that applied to their company

know of any significant fraud. The survey could not account for fraud that might not yet be detected among companies surveyed.

For the 8 percent of respondents who had uncovered fraudulent travel expense reporting, the most common fraud behavior was falsifying/altering receipts to inflate eligible travel reimbursements. Outside of the AirPlus survey, anecdotal reports also identify the following as common expense reporting behaviors that can indicate fraud, although fraud tactics can be many and creative:

> Proliferation of "below-the-line" expenses – If a corporation's expense policy invokes a threshold under which receipts are not required, travel and expense managers should keep an eye on travelers who submit multitudes of cash expenses below that amount.
> Exchanging premium-class tickets—For companies that allow premium-class travel, it is relatively easy for travelers to purchase the higher cost ticket through the agency and then exchange that ticket for an economy class seat at the airport counter.
> Reclaiming receipts—Submitting a single receipt to multiple departments and charging the repeat expenses against a healthy department or line item for which overall expenses are running under budget

AirPlus survey respondents seemed to know well the safeguards in place at their organizations for preventing and detecting these and other types of travel expense fraud.

Has your company uncovered a significant occurrence of travel-related expense fraud in the past 2 years?

8% Yes

73% No

19% I don't know
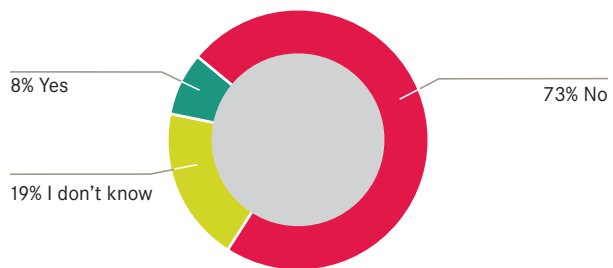
The most common prevention tactic, cited by 81 percent of survey respondents, was to leverage direct manager approval for all travel expenses incurred. Two-thirds of respondents said their companies required a comprehensive set of receipts for expenses incurred while traveling, while 59 percent required use of a corporate card for travel expenses.

Additionally, Business Travel News reported in its 2012 Expense Management Survey that increased scrutiny of travel spend by corporate executives along with improved technology that allows for more granular analysis of expense patterns and problems, is pushing travel and expense managers to get more creative with strategies for driving compliance to policies and, as a result, reducing error and fraud.

In addition to ongoing and rigorous auditing, the following tactics are proving effective:

> Targeted reporting — Strong data reporting—from both card providers and expense tools—can be key to detecting travel expense fraud. The ability to run targeted reports on cash expenditures, refund/exchange activity and then tie these details back to individual travelers is critical.
> Central Bill/Lodge Card — Many companies are funneling more travel expenses to centrally billed payment solutions. Lodged and virtual cards that sit with an agency, not only encourage travelers to use the agency and reduce "out of pocket" expenditures, leakage and "maverick" spending, but also reduce risk associated with exchanges and refunds, as all refunds are returned to the company account.
> Tighter tool Integration — Linking corporate card data to the expense tool has long been considered best practice and eases the expense reporting burden for travelers. It also cuts down on deliberate falsification.
> Tighter policies to drive compliance — According to the 2012 BTN Expense Managers Survey, tighter

agency and card policies are driving behavioral change in some corporations. For example, requiring receipts on purchases of $10 or more for cash purchases, but raising that receipt threshold to $75 for purchases charged to a corporate card, can drive more spend to the corporate card. A more rigorous example would be to short reimburse any bookings not made through the agency of record or mandated purchases (such as air, rail or hotel) not charged to the corporate card.

Driving compliance and visibility are the most critical factors in preventing travel expense fraud, and vigilance is required on the part of travel and expense managers. Still, the ACFE reports that most workplace fraud is initially discovered from a tip provided by a colleague. In order to take action, however, a tip must be backed up by facts and data. In the end, the tools and processes must be in place to deliver them.

Additional Resources
Business Travel News 2012 Expense Managers Survey
http://businesstravelnews.texterity.com/businesstravelnews/20120402#pg14

ACFE 2012 Report to the Nations on Occupational Fraud and Abuse
http://www.acfe.com/uploadedFiles/ACFE_Website/Content/rttn/2012-report-to-nations.pdf

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