

THE TEMPTATION TO PAD EXPENSE REPORTS CAN BE POWERFUL

If an employee is in a position to claim \$100 a week in false expenses, that employee boosts his or her take-home pay by \$5,200 a year.

Better yet – for the employee, at least – travel reimbursements are usually exempt from taxation. So that unreported \$5,200 can turn into the equivalent of an \$8,700 pretax pay raise.

We raise this example not to recommend cheating, but to illustrate how the *temptation* to cheat – whether to earn tax-free cash or simply travel in greater luxury – can be powerful. A wise administrator will learn the tricks and establish an audit program to catch them.


The following examples are meant to alert you to tactics for padding flight, hotel, and car rental expenses. We hope you find them helpful in managing what, for many companies, is the second-largest area of expense after payroll.

Certain material contained in this publication, including examples of potential employee tricks, are drawn from and reprinted with permission from *How to Pad Your Expense Report ... and Get Away With It!*, by "Employee X," available at online booksellers.

AUTOMATING EXPENSE REPORTING CAN REDUCE THE COST OF EVERY EXPENSE REPORT TRANSACTION BY 72%*OR MORE

ADP's *Travel & Expense Management Solution* gives you efficient tracking, reporting, and management – all in one powerful on-demand service:

- An online booking system searches hotel, flight, and car rental inventory from virtually all sources and indicates which options comply with your corporate travel policy.
- ADP's *Travel & Expense Management Solution* electronically captures receipts, generates expense reports, and deposits electronic payments to filers within four business days.
- Automatic corporate credit card data import reduces keying errors, resulting in fast report creation and cleaner data for analytics. Because it is an end-to-end service, the click that books the trip also creates the expense report.

 <div> Locke Hotel Dallas 547 West Bernard Street Dallas, Texas 75201-2399 View on Map </div>		
Reserve	\$199.00 Compare	Best Available Rate Locke King ns - 350 Sq Ft cancel by 6pm day of arrival to avoid billing for one Rate details / Cancellation policy
Reserve	\$199.00 Compare	Best Available Rate Locke Dbl Dbl ns - 350 Sq Ft cancel by 6pm day of arrival to avoid billing for one Rate details / Cancellation policy
Reserve	\$214.00 Compare	Bed and Breakfast Locke Dbl Dbl ns - 350 Sq Ft cancel by 6pm day of arrival to avoid billing for one Rate details / Cancellation policy <small>Hotel Rate is greater than \$200</small>

ADP's *Travel & Expense Management Solution* automatically displays an alert when an online travel option does not comply with corporate policy.

For more information, contact your ADP Representative, or visit ADP.com and search for "Travel and Expense Management Services."

*Travel and Entertainment Expense Management Automation: Reduce Costs, Improve Control, Aberdeen Group, June 2009.



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Tricks Employees Use to Pad Their Expense Reports

Canceling a leg of flight and getting a refund your employer doesn't know about. Filching hotel stationery to "create" your own receipt. These are just some of the tricks revealed in this free ADP® reference.

TRICKS EMPLOYEES USE TO PAD FLIGHT EXPENSES

When employees want to put a few hundred dollars per expense report into their pockets, airline tickets are the easiest way to do it.

Double-booking tickets for profit

As soon as the employee knows he's making a trip, he buys a ticket. He then waits until the week of the flight and books a refundable ticket, which will most likely be more expensive. Closer to the day of the flight, he cancels the refundable ticket, flies on the previously booked discount ticket, and submits the higher-priced receipt with his expense report.

Alternatively, the employee can book a refundable fare early and watch for fare wars. He books the discounted flight and submits the earlier, higher-priced receipt for reimbursement.

Flying less to make more money

An employee books a fully refundable multi-city flight and cancels the last leg of the trip (ending up where she meant to all along). The airline credits her credit card for the difference in fares. She submits the original receipt with her expense report.

TRICKS EMPLOYEES USE TO PAD HOTEL EXPENSES

Getting blank invoices from the hotel

When checking out, the employee says to the clerk, "Hey, I really like the layout of your invoices. I'm sure my boss would like to see if your format would work for our company. May I have a few sheets to take back with me?"

Young and inexperienced clerks are reluctant to say no to a guest. The employee fills in the forms on his home computer.

Keeping discounts a secret until checkout

If an employee is eligible for a discount, she does not mention it until she has received a receipt for the full "rack" rate. She then contests the charges, saying, "Hey, this was supposed to be the AAA rate. I mentioned that when I reserved the room." She submits the first, higher priced receipt with her expense report.

Double-billing for room service

Room service meals usually arrive with a blank tear-off receipt. An employee charges the meal to his hotel bill. He then uses the tear-off receipt to claim an additional expense at a different time.

TRICKS EMPLOYEES USE TO PAD CAR RENTAL EXPENSES

Submitting coupons after getting a receipt

Many rental companies offer discount coupons. When an employee returns her car, she waits until after the attendant has printed out her receipt. She then goes into the office and claims there has been an error.

Switching gasoline receipts

Some older gasoline stations leave blank receipts near the cash register for customers to take. If the service attendant insists on completing the receipt himself, but hand-writes a few dollars, adding a one in front can raise the amount from \$8 or \$9 to \$18 or \$19. Alternatively, a one can easily become a seven, especially on a carbon copy.

Another trick is to check the self-serve island for receipts previous customers have dropped into the trash. Travelers can find computer-printed receipts for many dollars more than what they paid. The receipt will have a location and date stamp that match their travel plans.

Claiming personal use of a car, but renting instead

If work requires an employee to drive to a distant location (e.g., a trip that, with incidental stops and errands, might add up to 1,000 miles), he may profit by renting a car while claiming the miles on his personal vehicle. A three-day car rental, with unlimited mileage, can cost as little as \$77, while reimbursement at 55¢ a mile gets the employee \$550. The employee saves wear and tear on his car, while pocketing some extra money.

COMBINING A CORPORATE CREDIT CARD WITH AUTOMATED EXPENSE REPORTING CAN DEFEAT MOST OF THESE TRICKS

As you may have noticed, most of these vulnerabilities occur when employers cannot match reported expenses against actual spending and returns. An effective countermeasure, therefore, is to combine a corporate credit card program with automated travel booking and expense reporting.

"With a solution like *ADP's Travel & Expense*," explains Joy McManus, an ADP Travel and Expense Specialist, "hotels, airlines, rental car and credit card companies provide a nightly data feed of transactions and receipts. The system compares each credit card charge to the hotel's e-receipt and airline's record of unused tickets. It automatically matches them to the employee's itinerary in the booking system. Not only does this prevent nearly all the fraud 'Employee X' describes, it's a great convenience for honest employees."