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Travel & Expense Audit Helps a Large Construction Company Establish Better Controls to Cut Costs

Customer Profile

A national general contractor with approximately 6,000 employees and $5 billion in revenue is known for operational excellence and maximizing client outcomes.

Benefits

- Identified risk areas within travel & expense policies and procedures

- Determined cost-savings opportunities

- Provided a basis for the implementation of key control features in the company's new T&E solution

Services

Armanino Internal Audit Analytics Services

Challenge

As a long-time Armanino internal audit client, a large construction company has put in place a periodic internal audit cycle that allows the company to monitor data and execute control procedures on a regular basis. The company's most recent internal audit coincided with the rollout of a new travel & expense (T&E) system. This timely assessment offered an opportunity for the company to address the inherent challenges of employee reimbursements.

"We recognized some challenges with our travel management system and we were operating under the theory that this was probably costing us money," says the company's director of internal audit and government compliance. "We wanted to find those areas where we could produce savings."

The T&E assessment was also a chance to "remind our partners that every dollar they spend does impact the employee stock ownership plan and affects what the company can return to their employee-owners," adds the director.

To accomplish these goals, the company's lean internal audit group knew that they would need the help of an external resource. With the technical expertise to identify trends and the analytics tools to pinpoint anomalies, Armanino's data analytics and internal audit experts could help the company interpret the data and deliver insights to mitigate risks.

Solution

Using a data-centric methodology, Armanino started the T&E audit by collaborating with the construction company to create a customized risk matrix to identify the focus areas of greatest impact and importance. As the company's director points out, "using data to create efficiencies in the audit process is something I am super passionate about. At times though, our team may not possess the technical expertise or have the right technology to do the analyses ourselves, so we leverage Armanino to bring that technology and expertise that we don't have within our internal audit group."

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This collaborative approach helped both parties identify the T&E audit's objectives and tailor the process to the company's needs. By integrating data and analytics tools into the process, the Armanino team helped the company pinpoint where the issues were, leverage in-depth information to evaluate those risks and establish individual objectives for each of the areas.

In designing the tests for the audit, the Armanino team started by validating the integrity of the T&E data to assess and quantify potential issues that exist across the company. Some key fields to examine were duplicate transactions, conflicts of interest, violations of policy and usage of the travel management system.

After extracting the data, the internal audit team took the information and dove into the details. This agile method enabled the company to identify spenders and transactions outside of policy, potential cost-saving opportunities, miscoded expenses and process-enhancement areas. Knowing and understanding the company's policies, procedures and data, and honing in on their culture allowed Armanino to perform the analytics that would help shape the company's new T&E system.

Results

By gathering comprehensive data and performing in-depth analysis, the T&E audit compared expense reports to the source files and examined a variety of reimbursements. To ensure accurate interpretation of the results, this customized analysis took the company's culture into account and excluded expenses that leadership considers guidelines but were not prioritized as cost-reducing areas.

The audit's findings revealed the main risk areas for the company's T&E system, which were consistent with industry averages. The audit team determined that the biggest areas of improvement included duplicate reporting, insufficient use of the travel system to book airfare, miscategorization of expenses and frequent use of miscellaneous expense types.

For the company's audit committee members, the most important takeaway from this audit is having the data to put effective controls in place. "Being able to leverage data analytic tools and techniques to compile and evaluate our data, identify critical business insights and report it with the right level of detail will help to drive change," says the company's director.

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Next Steps

As the company gets ready to implement their new T&E system, their director says that Armanino's data analytic results allow them to make informed decisions. The information revealed by the audit will help them "put guardrails up and give leadership assurance in the effectiveness of the internal controls."

The biggest change that the director expects to see is regarding the company's travel management system. By requiring employees to use this platform to book travel, the company can keep better track of costs while also saving money. This will also ensure that the company uses its contractual purchasing agreements to take better advantage of vendor discounts.

The director would also like to create a training video that introduces new team members and current employees to the company's travel system. This would help everyone understand the purpose of this platform and boost compliance.

Another change the director would like to implement is the integration of new expense type codes into expense reports. This will reduce the use of the miscellaneous category, which, from a risk standpoint, would be a big improvement area for the company.

By closing these gaps and ine tuning the reimbursement processes, the director hopes to increase transparency while also reducing costs — and passing those savings on to the company's employee-owners.

CONTACT

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