

Achieving Compliance and Cost Controls with Expense Report & Credit Card Management

GL Solutions was contacted by a medium sized consulting firm with 420 employees and \$55 million in revenues to help them with their expense management. Our client had multiple government projects across the country and found that it was too hard to get a project’s financial status in a timely fashion. After an initial assessment, we analyzed their current state and introduced them to leading practices in expense and credit card management. The client was pleased that in less than three months we were able to take our assessment, replace their legacy system with the Deltek Time and Expense system, revamp their business processes, and substantially improve their operations.

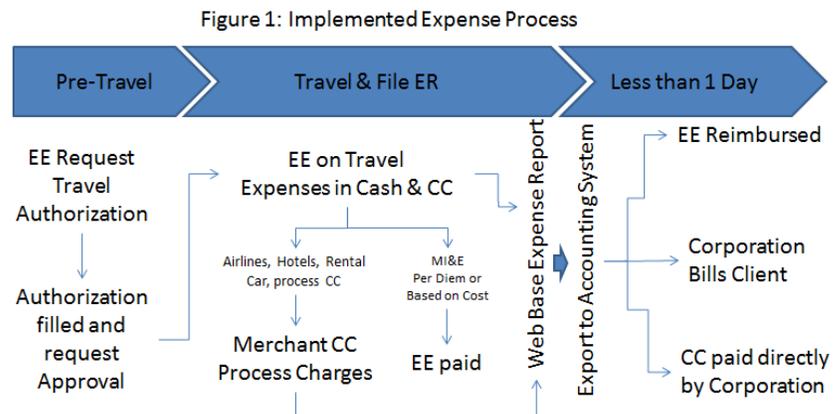
Challenge

A critical element of our client’s Project Managers responsibility was to manage the project’s budget and therefore profitability. Our client needed an efficient means to manage project expenses, typically travel and other expense items to support the project. Nearly 90% of the project purchases were requested via purchase orders (POs) plus travel associated expenses were all paid using corporate credit cards (CC). *The average time from when a PO was issued to the time that it was billed to the customer was four months.* The challenge for GL Solutions was to reduce this four month period to less than a day.

Approach

In this case we used our standard methodological approach. First we assessed the situation by looking at their current accounting system and business processes. We confirmed that the current process was painfully slow due to the massive manual interventions. It was making it difficult for Project Managers, Program Managers, and the CFO to understand the project’s financial status and thus the firm’s overall financial status.

After evaluating the situation, we recommended and when approved we then implemented the Deltek Time and Expense system. This



system is fully compatible with credit card vendors and we easily configured the Deltek system to accept downloads from our client's credit card vendors, American Express and Visa.

Results

Increased Efficiency

In this assignment we were able to make a significant impact on our client's operation efficiency in expense reporting. First, by implementing the Deltek Time and Expense system our client was now able to track and control expenses based on well defined rules and a heirarchical approval process that brought our client into compliance with the FAR and GAAP.

The Deltek Time and Expense system enabled us to implement credit card integration functionality so that employees could easily expense their corporate credit card expenditures. With this the employee could quickly classify the expenses, add clarifying comments, assign an appropriate project accounting code, attach receipts and submit for approval and payment.

Improved Cash Flow

Cash flow is the lifeblood of any firm, so our client was very pleased when we were able to increase their cash flow with this project. Processing time was reduced from average 90 days to less than three days, thus improving cash flow as our client's customers were billed faster. The gap between when the firm paid the employee to when it collected the funds from its customer was within the normal cycle for invoices or 30 days. Lastly, the firm realized the reduced cost by the ability to eliminate one head count in the accounting department.

Compliance and Accountability Improvement

Compliance is constant struggle for every firm, large and small. Implementing a state of the art expense system enabled our client to increase it level compliance in several important ways. First, the new system made compliance with the government per diem travel regulations easy as they were loaded on the system based on location and portion of day that the employee traveled. Amounts over per diem, where sent for authorized to the appropriate approval chain and then were allocated to a non allowable expense account. Secondly, the system increased the level of accountability at the firm by allowing us to configure three levels of approval to include the project manager, accounting and Vice President (Programs) to achieved full accountability for expenditures. Receipts are electronically loaded and marked with specific references for tracking and billing the customer thereby making audits easier and efficient.

Accountability is a critical issue for government contractors and we were able to configure the Deltek Time and Expense system in accordance with leading practices to have the appropriate approval chain approve the expense. For project related expenses, the Project Manager would approve and the direct manager would be able to view it. If the expenses passed certain thresholds, we configured to process to take the approvals to a higher level in the hierarchy to approve.

Users were able easily link expenses with the charge codes on their timesheets, thus facilitating the proper allocation of expenses. Finally, the expense system was designed with the company travel expense rules and regulation in place, including compliance with the Joint Travel Regulations (JTR) and the Federal Travel Regulations (FTR).

Credit card reconciliation became an easier and information rich process. First, since approvals were no longer manual, they would take place faster. Secondly, the CFO and Controller now had daily reports detailing transaction status, entries pending, approvals pending and length in the queue, which in turn helped the CFO and Controller better manage the company cash flow.

Flexibility

The expense reporting system had to accommodate the needs of the various roles within our client organization. Most of the volume of expense reports came from our clients consultants out in field who submitted weekly travel expense reports. The firm's executives also had to travel however their expense reports were subject to different rules and regulations. Executive travel was not billable, so they did not have to follow the project, client, or government rules of a government contract. However, they were still subject to GAAP and internal controls. Additionally, when an executive would take a project team out for dinner and the team was subject to the per diem rules of a government contract, the system was configured in such a way that their per diem was adjusted to reflect the dinner that the executive paid for from the companies accounts. Another example the configuration needed to address was executive needs was, notably Business Class travel. If the executive's airfare was paid by a government contract, they would only be able to expense coach airfare. If the company decided to that business class travel was appropriate, the airfare expense would be allocated between the company and the government contract per Federal Travel Regulations (FTR). Other Features:

1. Other types of expense reports were issued to conform to special task orders that included payment to vendors from the expense report based on the vendor information in the GCS Premier system.
2. The same system also allows for an easy form for pre-approved expenses based on the information loaded in the system such as per diem by location and place.

Summary

Our client was able to quickly reap the benefits of implementing the Deltek Time and Expense system and changing its business process thereby reducing its internal cost and increasing its compliance with GAAP and government regulations (i.e., the FTR and FAR). As regulations change and systems are continually improved with new features, we recommend that all firms make an annual assessment of its operations to either find ways to improve efficiency, compliance and accountability or to confirm that the practices are the best they could be for the time.

About the Author

Gregory Llinas is the CEO of GL-Solutions. He has overall strategic and operational responsibility for the growth and development of the firm. Over the last 20 years, Gregory has managed over half a dozen organizations at

the executive level, including Business Development, Operations Management, and Executive Leadership. Gregory has been responsible for Financial Planning, Performance Management, and overall business performance.

Previous positions in corporate management include Chief Financial Officer, Vice President of Client Services, Senior Vice President of Financial Planning and Analysis, Chief Operating Officer, and Controller among other corporate roles. As Chief Operating Officer, Gregory was responsible for increasing revenues from \$180 million to \$280 million within a 14 month period. As Chief Financial Officer of over four federal contracting businesses, including 8(a) and Small Disadvantaged Businesses, his leadership resulted in dozens of contract awards.

Gregory holds an MA in Development Banking from The American University in Washington, DC and a Masters in Engineering from UNPHU.