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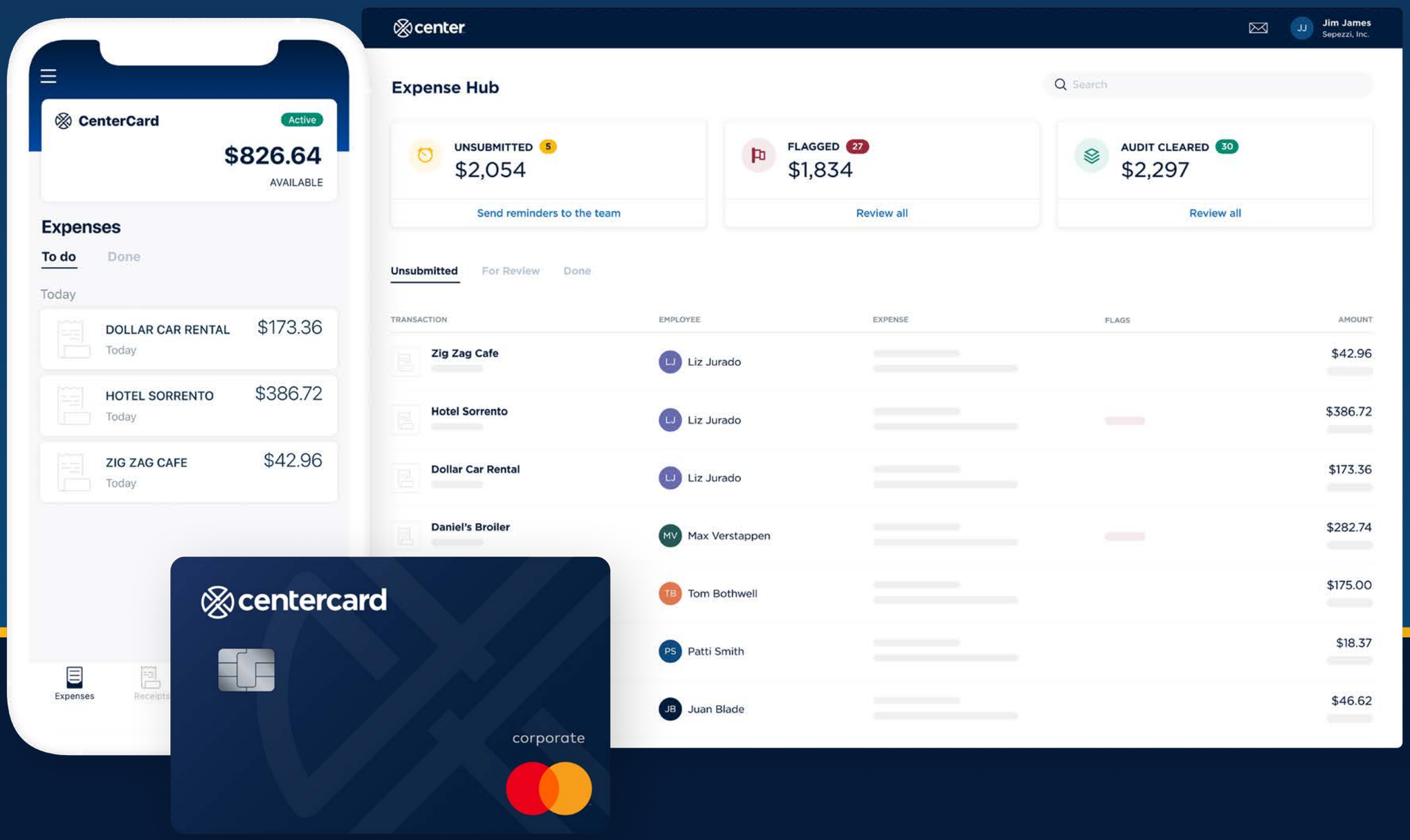
3 Best Practices for Expense Approvals



A critical part of your expense policy is the process for approving expenses. Having an employee's direct manager approve everything is simple, but it can lead to "rubber stamp" reviews, wasteful spending, and inconsistency across teams and departments. It can also silo expenses and result in unnecessary or duplicate purchases. Make sure your approval process aligns with your business needs! Larger companies tend to have complex, multi-level approval processes, while smaller companies tend to be simpler.

Here are a few considerations to keep in mind as you finalize your company's expense approval process.

1 Auto-approve expenses where it makes sense.

When time-strapped managers have to review a large volume of expenses, the tendency to rubber-stamp them increases. Auto-approving certain expenses reduces the noise and ensures that managers can focus their attention on the ones that actually need a close review.

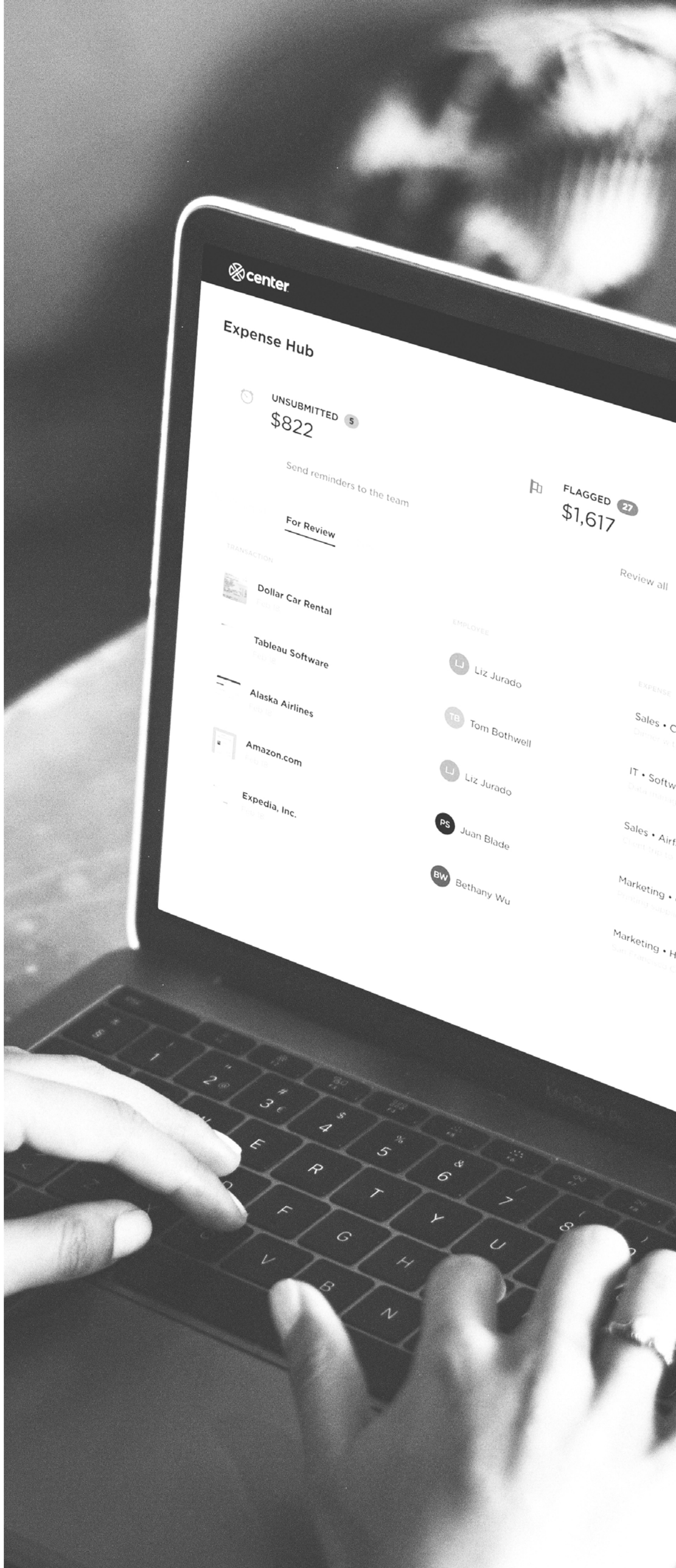
Some companies decide to automatically approve expenses under a certain dollar amount, or certain types of expenses, like office supplies or travel purchased using a centralized booking tool. If you use expense management software, it can be customized to automatically route expenses based on the rules you specify and automatic auditing will flag possible issues.

2 Customize approval flows to your business needs.

You might want to require multi-level or executive approval for expenses over a certain dollar amount, especially if you want to manage cash flow closely. It might also make sense to have certain types of expenses, like software subscriptions or hardware purchases, routed to a central approver to weed out unnecessary duplicates and ensure compliance with policy and preferred vendors. And if you have project managers with budgets that span departments, remember to keep them in the loop to make sure they have the information they need to keep budgets on track.

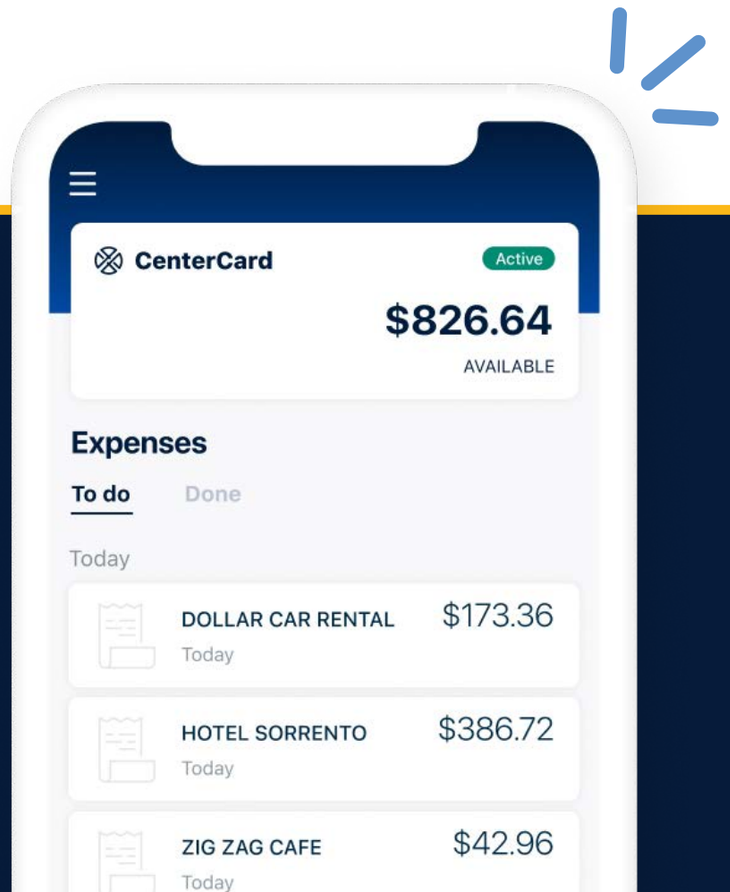
3 Review and update your approval process regularly.

Be sure to revisit your approval process whenever you have significant organizational changes, or at least twice a year. Are expenses getting approved in a timely manner? Where are the bottlenecks, and what can you do to reduce them? Are approvers seeing the expenses they need to see, but not the ones they don't? Is everyone getting all the information they need to make great decisions? Have any new issues bubbled up that need to be addressed?



The Takeaway

Top performers ensure that approvers see the expenses they need to review—no more and no less. The goal is to empower approvers to focus on the expenses that matter to them so transactions don't get lost in the clutter. An ideal expense management process automatically flags anomalies or potential issues to approvers, like missing receipts or expenses that exceed policy limits. It should also make it easy for the approver to request more information when needed. A clear expense approval process saves time, holds budget owners accountable, and keeps spending in check.



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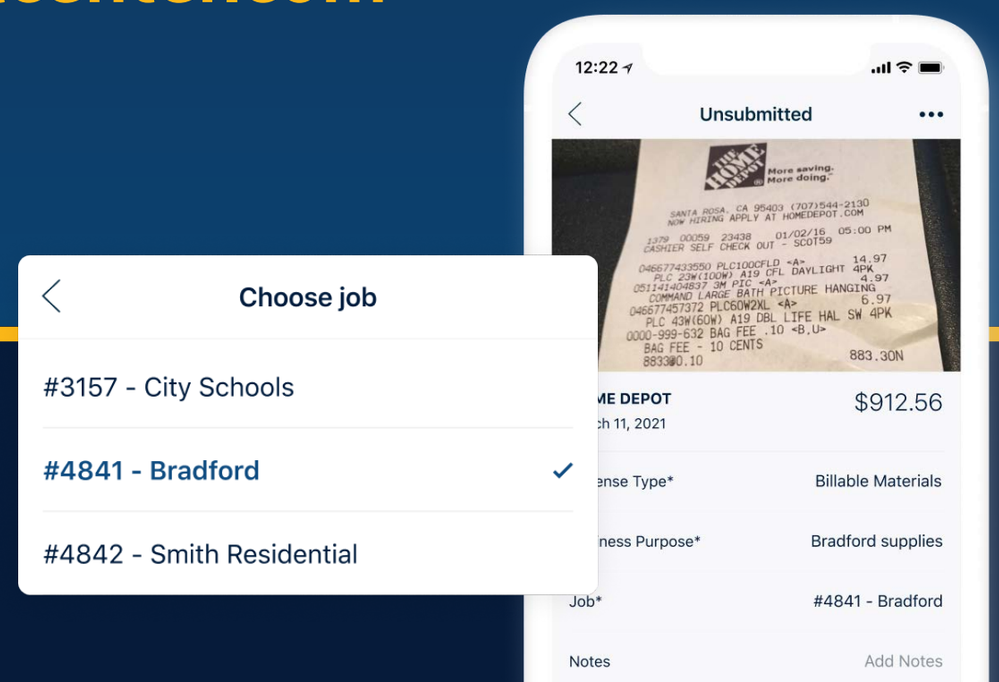
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