

TORPAGO

The Business Reimbursement Model Is Dying

Making the Transition from Expensive Reimbursement

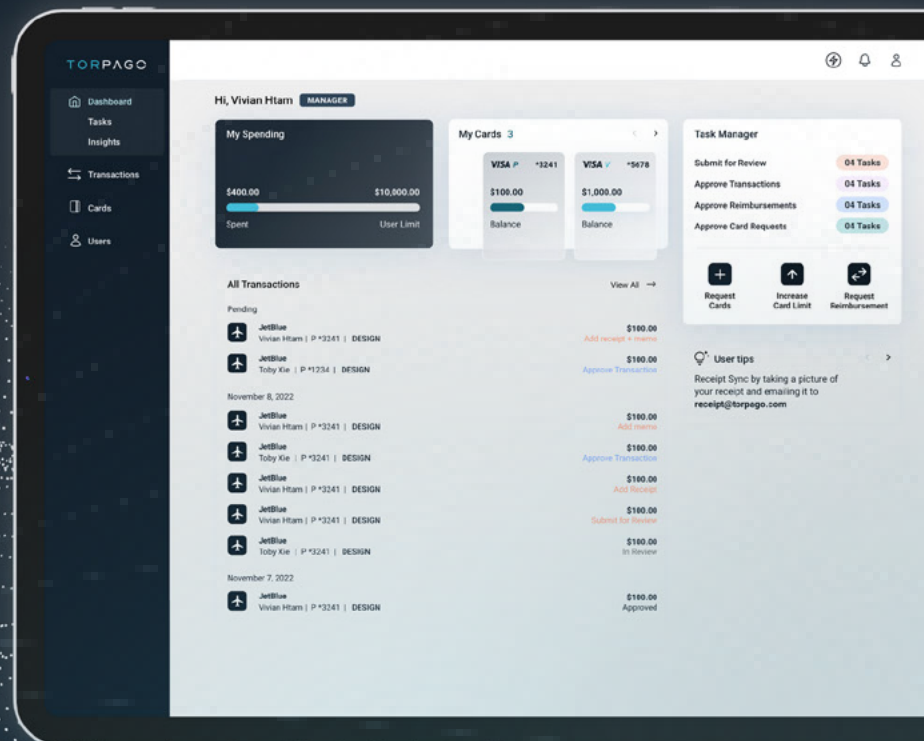


TABLE OF CONTENTS

03 Introduction

09 Torpago Can Do All This
and Lots More

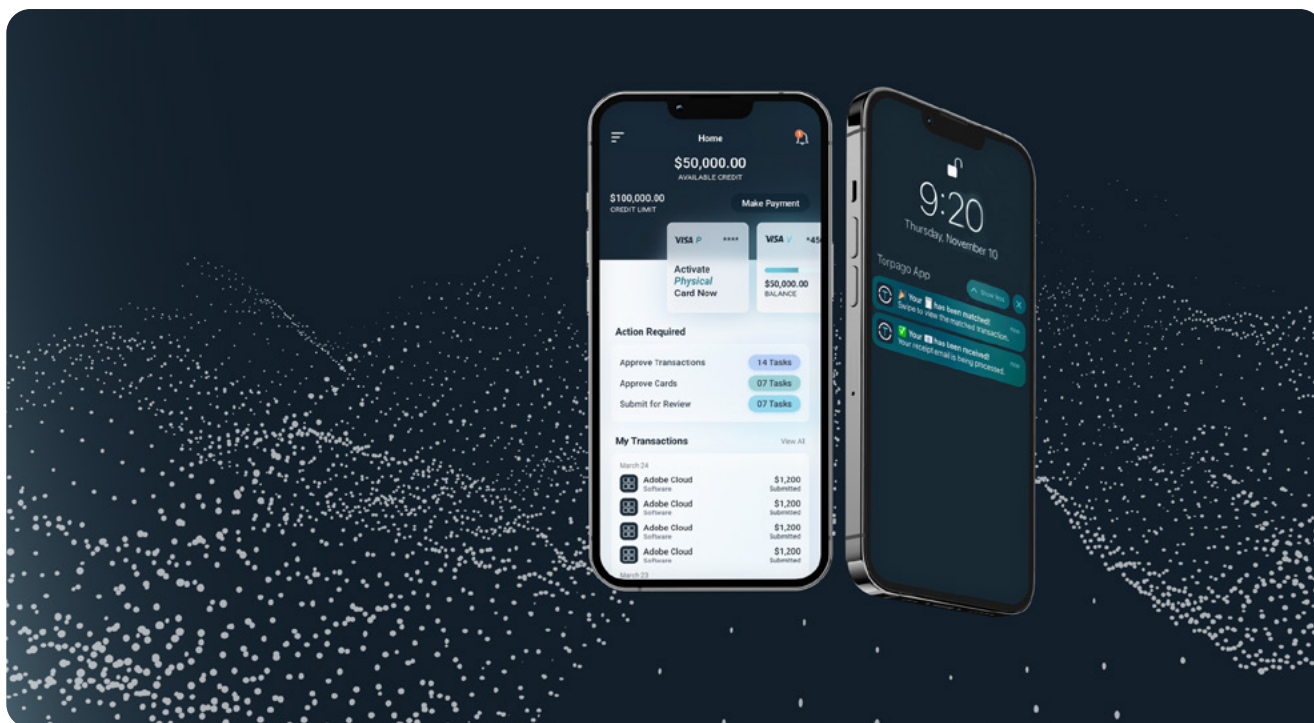
04 How Old School Expense
Reimbursement Came
to Exist

11 Benefits for Employees
and Employers

05 Why You Should Move to a
Better Solution

12 A Faster, Simpler,
More Secure Way
to Do Business

07 What You Should Do
Instead of Business
Reimbursement Models



INTRODUCTION

For many years, small and medium companies have asked their employees to “float” the expenses of the business by using personal credit cards to charge costs. It amounted to employees providing their companies with no-interest loans and a significant amount of work to process it all.

Today’s employees aren’t happy about the old-school expense reimbursement model, especially Millennial and Gen Z workers who may not have the financial resources to wait for reimbursements to process.

Expense reimbursement models have been around for a long time, but they have fallen into the “we’ve always done it that way” category rather than a “that’s how we should do it” model. In this eBook, we’ll examine how the traditional business expense reimbursement model came to be, why you need to make a change, how to transition to a more modern solution, and how Torpago provides a better way to do business.

How Old School Expense Reimbursement Came to Exist

Many things in business made sense at one time, but the underlying reason no longer exists, or newer technology made it obsolete.

Fax machines were once a staple in every office, but email and connected devices silenced them. Computers replaced typewriters. Video conferencing cut down on business travel and face-to-face meetings. Business process automation (BPA) is replacing manual data entry.

Old school reimbursement methods are a relic of a bygone era, and the reasons these processes came into existence are rarely relevant today. Decades ago, many companies didn't have enough cash to cover large purchases and needed time to pay. By reimbursing employees for expenses they incurred on the company's behalf, businesses avoided having to pay upfront. Other businesses could not qualify for enough credit, so they needed help from employee credit cards.

In other cases, businesses simply didn't trust their employees with business credit cards or limited the use of business cards to top executives only. Many individuals came to like this model because of the prevalence of reward cards. For some employees, putting business expenses on their personal credit card became almost a revenue stream, qualifying for cash-back rewards or travel perks.

Over time, this methodology became the norm in businesses.

However, tracking spending, filling out and submitting expense reports, attaching receipts, and processing reimbursement all create a fair amount of work for employees and accounting teams that is no longer necessary. Thanks to modern spend management platforms, lost receipts, tracking down spending details, and the waiting period for reimbursement have all become obsolete.



Why You Should Move to a Better Solution

While some people like the perks of using their personal credit cards, most employees hate the expense reimbursement process — [especially younger workers](#) and those outside the executive ranks.

A Burden for Employees

Employees in certain positions that need to spend may not have credit to spare. Asking them to front money for your company can put them in a bad spot.

Nearly half of Millennials and Gen Z workers are [living paycheck-to-paycheck](#) and worried about meeting monthly expenses. 2023 data from the [Federal Reserve Bank of New York](#) shows that Millennials already carry significant debt. Those aged 30 to 38 make up nearly \$4 trillion in household debt, which has increased by 27% since 2019. Inflation, higher rates for credit, car payments, housing, and lingering student debt is taking a toll.

Is it fair to ask employees struggling with these challenges to float their money for legitimate business expenses? And what happens when employees don't have the available credit or capacity to fund business purchases before being reimbursed? It disproportionately impacts lower-wage employees and may prevent some employees from taking advantage

of business opportunities, such as purchasing responsibilities or company travel. This certainly doesn't promote equity and inclusiveness.

At the same time, waiting on reimbursement can tie up available employee credit. In some cases, employees may have to put off personal purchases until reimbursements are processed. Some employees may be unable to pay for business expenses and wait to be repaid.



40% of employees said they had personally [experienced cash flow problems](#) from slow reimbursement.

Some employees may not have credit cards or only have debit cards, which draw money out immediately upon use. This can create an even bigger burden on your employees, who may have limited funds available.

Even in businesses that issue company credit cards to employees, that privilege is typically reserved for top executives, leaving the burden of expense reimbursement to fall on employees least likely to be able to front out of pocket.

Time-Consuming to Administrate

According to the [Global Business Travel Association](#), it takes an average of 20 minutes to complete an expense report, time your employees could be doing more productive work. The same could be said of your accounting team, which has to verify and approve expenses.

About 20% of expense reports also contain errors, from missing receipts to incorrect amounts to unauthorized purchases. It takes accounting teams an additional 18 minutes to correct such mistakes. Many times, it requires hunting down employees and waiting for additional information.

This is not only time-consuming, it's also expensive. Multiple team members get tied up on tasks that could now be automated and accounting teams are forced to focus on low-value activities.

Employees May Be Less Than Totally Honest

Traditional expense reimbursement also opens the door to more opportunities for dishonesty. Employees may cheat their employer by claiming personal expenses as business expenses, double billing, or simply not watching the bottom line when purchasing.

You may also lose money when employees spend with unapproved or preferred vendors, taking advantage of special terms or discount rates, or overspending your allowance limits for particular purchases. These actions can happen purposely or accidentally. Either way, it will cost you.

Complex Purchasing Policies

Employees may not know every nuance of complex purchasing policies, which can vary by company, division, or department. Those unfamiliar with the rules can be frustrated when expenses are questioned. Unless charges are fraudulent, accounting almost always ends up issuing the reimbursement, but not without stress on both sides of the ledger.

Even expenses that fall outside of spending policies typically get reimbursed.

Managing these spending rules, educating and reminding employees, and holding them accountable to policies takes time. Any time there's turnover in positions authorized to spend on behalf of the company, the whole process starts over again.

May Cost You Employees, Too

Workers expect modern tools at work that resemble those they're used to outside of work. Today, you can make digital purchases without paperwork, filling out forms, or even signing credit card slips. Tap-and-go purchasing, payments by app, real-time account balancing, and online bill pay make tracking and paying for purchases simple.

Employees expect the place they work to have similar technology and want to work at innovative companies. Nearly seven in 10 surveyed say they would leave their current job to work at a company that shows [leadership in innovation](#). Cumbersome, time-consuming practices that don't reflect current technology can hurt retention and recruitment.



What You Should Do Instead of Business Reimbursement Models

A better solution is to use a [spending management platform](#) that enables both physical and virtual credit cards for employees. This can replace the outdated business reimbursement model with a modern solution while maintaining even tighter control over expenses. Employees can be granted physical cards with controls to adhere to spending guidelines and limits or granted on-demand virtual cards that can only be used for specific purchases.

By deploying a spending management platform with business cards and eliminating the expense reimbursement model, employers and employees see significant benefits, including:

Increased Cost Management Controls

One thing that hasn't changed is the need to tightly control expenses. Control may be even more important during uncertain economic and inflationary periods when the bottom line is watched more carefully.

Increasing control, reducing administrative burdens, and easing employee concerns is possible. By transitioning away from reimbursements and adopting a [flexible management spending program](#), you receive real-time reporting on every expense.

Broad or granular cost controls are available, including:

- » Limiting purchases by amount, type, or category
- » Authorizing purchases only through approved or preferred vendors
- » Issuing virtual cards on demand for specific purchases



These strategies enable controls over unrationalized spend and make it easier for users to spend when needed to leverage business opportunities. Avoiding out-of-policy spending also prevents uncomfortable conversations and conflicts when you have to roll back a purchase, deny a reimbursement, or discipline an employee for failing to follow the spending rules.

Reduced Paperwork and Manual Processing

With an integrated company credit model that works with your accounting platform, you can automate much of the process, reduce errors, and speed up task completion. The right platform can automatically reconcile purchases, saving time by reducing data entry and manual reviews.

You can also automate subscription and recurring payments, eliminating the need to manually process accounts payable every month.

Elimination of Card Sharing

As companies restrict credit cards to certain employees, it can sometimes lead to sharing cards rather than going through the expense reimbursement process. Sharing creates problems with accountability and increases liability.



When cards are shared, it may be difficult to track usage, know who makes a purchase, and whether they were authorized to spend. Sharing can easily create overspending, misuse, and unexpected costs. At the same time, spending limits are reached more quickly, which may create problems for future purchases. When shared cards are used for recurring purchases, reorders, or supplies, hitting the credit limit may cause corporate cards to be declined or prevent needed services from being delivered.

When cards are shared, more people have access to the account numbers and CVV codes. They often get saved by employees beyond those authorized to use them, which creates [additional security risks](#).

Leveraging of Business Rewards

The best flexible management spending platforms will also let your business get cash back on purchases and keep the perks for business expenses within the company.

Torpage Can Do All This and Lots More

Torpage modernizes and streamlines expense reporting, saving time, eliminating manual work, and improving compliance with full transparency.

Robust Spending Controls

With Torpage's flexible spending management platform, you get [total control over spending](#) for categories, hours, days, and spending limits. You can block card usage for merchants and categories and enforce spending policies, such as restricting spending to only business hours or for particular purchases.

For example, delivery drivers might get cards that only work at gas stations. Sales reps might be issued cards to spend on approved travel vendors, hotels, or restaurants. Neither would be able to use their card at a big box retailer, making compliance automatic and eliminating out-of-policy spending.

Spending controls also prevent another problem where employees accidentally put a personal purchase on a company card. If they grab the company card by accident, the purchase will be denied if it's outside policy limits. Even if it is within compliance, the company gets instant transaction notifications with real-time reporting, so you always know how, where, and what spending happens.

Such controls help foster greater accountability. Employees know you will immediately see any purchases they make rather than wait for a month-end statement, making them more likely to follow the rules and be careful about spending on behalf of the company.



Physical and Virtual Cards



[Physical or virtual cards](#) can also be issued on demand.

Virtual cards are ideal for a single transaction and can be issued instantly to grant employees immediate purchasing power. These single-use cards are pre-authorized for spending limits with specific vendors, eliminating the need for reconciliation and reimbursement. Virtual cards are also great for recurring online transactions, such as software subscriptions. Determine the amount, and cards will reset automatically each month.

Virtual cards also provide an additional layer of security as they do not require a physical card number and are no longer active once used for their intended purchase.

Physical cards can also be issued in the same way as corporate cards in the past. With Torpago, employees can spend up to the set amount loaded on the account. If balances run out, additional funds may be added. These cards can be used anywhere Visa cards are accepted, online or in brick-and-mortar stores, and are a viable alternative to traditional credit cards to avoid debt or overspending.

Expense Automation



Card transactions are automated within the Torpago platform and visible in real time. [Expense automation](#) makes the process seamless and eliminates the need to fill out expense reports or chase down employee purchases.

Transactions are recorded instantly. Employees can [capture receipts on their smartphones](#), so there's no worry about lost receipts. Reconciliation happens automatically, saving everyone time while ensuring compliance with spending controls. Torpago lets you close the books faster.

Real-time integrations allow for automated repetitive manual tasks by integrating with popular enterprise resource planning (ERP) tools like Sage or QuickBooks and more than [1,000 HRIS, accounting, banking, and productivity tools](#).

Eliminate Fees and Earn Cash Back



With traditional bank cards, there are often significant management fees or service charges. Fees may be tax-deductible, but they are still cash out of pocket and add up over time. With Torpago, there's a flat fee of just \$33.99/month for up to 10 cards plus only \$4/month for every additional card.

Your business also gets [1.25% cash back on every purchase](#), so the more you use your credit card is used, the more cash back you earn. Spend \$100,000 a year and get \$1,250 back. Spend \$2 million and get \$25,000 in cash-back rewards.

Depending on your policies, you can either require all spending to use the Torpago solution or a combination. For example, some employees may prefer to use their cards and get points or perks. If you choose to allow them to continue to do so, that's an option. Customized usage, spending limits, policies, and application to each individual in your organization is also possible.

Benefits for Employees and Employers



For employees, Torpago makes submitting expenses simple and fast, eliminating the need to use personal credit cards or file reimbursement requests. It relieves employees of the burden of paying for legitimate business expenses out of pocket or using their personal credit.

[According to Conferma](#), the amount of money employees "lend" their employers every month is \$1.6 billion.

If [reimbursement is needed](#), the Torpago platform can also review and approve purchases, and disburse funds directly into an employee's bank account without waiting for the next payroll run.

For employers, Torpago significantly streamlines the processing of expenses, paying bills, and tracking spending. By eliminating expense reimbursement requests and verifying purchases, accounting teams can focus on higher-level tasks. Real-time dashboards allow for greater cost controls than ever before.

There's no more waiting for month-end statements and reconciling every purchase.

A Faster, Simpler, More Secure Way to Do Business

Torpago represents a faster, simpler, and more secure solution that fosters accountability and transparency.

The business reimbursement model is dying and Torpago is leading the way with modern tools for business. Torpago's flexible spending management platform empowers companies with easy-to-use solutions that provide greater visibility into company spending.



Signing up with Torpago is simple.
You can create your account in seconds.

Apply Now

Learn more about why businesses are increasingly eliminating expense reimbursement programs and adopting modern, flexible spending management platforms. Download our eBook, [Beyond the Gold Cards: Why Companies Are Moving Away from Traditional Banks for Corporate Credit.](#)