

# It's not academic: Dealing with expenses in education

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*Creating an open and clear means of dealing with expenses in higher education establishments*

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Universities and other higher education establishments increasingly have to address the need for savings across the board. One area of focus has to be expenses from faculty members and others associated with the faculty. The complex mix of expense types needs a flexible yet solid means of managing spend as close as possible to the point of expense – something that is transparent yet encompassing, that encourages the individual to participate in the process without it being seen as an imposition.

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The logo for Concur, featuring the word "Concur" in a grey sans-serif font with a registered trademark symbol. A green dot is positioned above the letter 'o'.

*An independent report by Quocirca Ltd.*

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The logo for Quocirca, with "quocirca" in a black sans-serif font. The letters "o" and "i" are colored blue and red respectively.

# It's not academic: Dealing with expenses in education

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## *Creating an open and clear means of dealing with expenses in higher education establishments*

*Theoretically, an education establishment should operate along the same lines as a business – it has employees who need certain items to fulfil their jobs. These items may need to go through a full purchasing process, or be expensed and reclaimed. However, the nature of many universities and other higher education environments leads to a set of distinct problems that create a need for a well implemented expense management system.*

- **Higher education environments tend to run as a set of interlinked but separate departments**  
A “one size fits all” approach to expense management will not work. There is a need for granularity across different roles and individuals to reflect the different needs and responsibilities of the various roles involved.
- **The hierarchical nature of higher education establishments needs a hierarchical solution**  
From department through to faculty, from establishment to full educational body, there is need for granular and aggregate reporting on expenses. Intelligent analysis can help to uncover best practices that can be promulgated across the entire educational body.
- **Administrative functions are responsible for much of the repeat expense**  
The administration of a higher education establishment leads to the need for the purchase of large amounts of items that are often put through non-formalised processes, often in different ways across different departments. Providing visibility across the ad hoc processes involved can lead to large savings.
- **Central and individual grant expenditure monitoring and reporting is important**  
The need to track where grants are coming from and how they are spent is becoming more important as central sources and individuals involved demand better visibility on how efficiently and effectively money is being spent.
- **Faculty heads are responsible for the majority of the ad hoc expense**  
Entertainment is a core part for many staff members within a higher education department or faculty and can lead to high amounts of ad hoc expense that is uncontrolled. Ensuring compliance with agreed policies will begin to provide immediate benefits, and help the individuals to ensure that they get the best deal available.
- **Exchange of personnel and the use of visiting experts are also issues**  
Education personnel are expected to share their expertise, leading to high degrees of travel to and from other education establishments, seminars and events, as well as the visiting of the establishment by external experts providing their expertise. Managing the travel and entertainment (T&E) expenses incurred by such activities is a necessity.
- **Benchmarking can provide a valuable drive to reduce expenses**  
The majority of higher education establishments have little enough visibility of their own expenses, never mind other establishments. The capacity to contrast and compare expenses against similar educational establishments around the world can help in providing sensible agreed targets for future expenses.
- **“Best practice” exchange is important**  
Although educational establishments are in competition for grants and for the best researchers and educationalists, there tends to be an open approach to the exchange of certain types of information. As well as analysis of aggregated expense data, administrators, researchers, educationalists and students can all be used as valuable resources to help in optimising processes and identifying possible savings in the expense environments.

### **Conclusions**

Although a higher education establishment is similar to a large corporate organisation in many ways, the needs to deal with faculties and departments that are often run essentially as separate groups means that expense management solutions have to be able to deal with the highly granular needs of the individual, while being able to aggregate and roll up data to provide visibility across the department, faculty, institution and entire educational body – and even to allow base lining and benchmarking against other bodies.

## 1. Introduction

Higher education establishments are run in many different ways around the world. From completely central government funded education, through student fees based systems plus central grants to complex mixes of central funds, grants and external funding from benefactors, philanthropists and commercial bodies, the source of incoming money is becoming more of a focus for bursars and educational treasurers. Although philanthropy is thriving, those donating money tend to want to be more involved in what their money is being spent on, wanting full reports on expenditure and what results have been managed through their munificence. Students want to see more for their course fees, and are beginning to pay more attention to the yearly statements of accounts from their universities and colleges. Private organisations providing research grants want their money to be spent on research, and for results to be rapid and effective, with any expenses being viewable as appropriate and as providing support to the main aim of the investment. Governments and even individual taxpayers want to ensure that the money pumped in from central funds are being used wisely, and that waste is wiped out wherever it can be identified. Increasing public information requests and transparency laws are rapidly making all financial data everyone's business – and the lack of capability to make such information rapidly and effectively available could mean the difference when an external investment is up for renewal, or where a new investment is being investigated by an external body.

One area where higher education establishments tend to have little true control is on expenses. With each faculty having many departments where heads are often left to their own devices on the purchasing of many services and products, it can be difficult to track expenditure and to analyse data to identify best and worst practice. On top of this, the approach of many in academic roles is that entertainment is a core part of the job, and expenses in this area can easily be relatively untracked, uncontrolled and be overly expensive for the value gained.

Many establishments do not want to be seen as constraining to their top talent. To this end, the approach has tended to be one of a relatively open ended expense account for travel and entertainment (T&E) for department and faculty heads, as well as the top administrators. The justification for high T&E expenses tends to be along the lines of the need to be seen beyond the walls of the establishment, to put forward the establishment to the greater world so that investors will see the establishment as the one to invest in.

Whereas there will be a degree of validity to this argument, it is often the case that such visibility can be gained through far cheaper means, and that the levels of expenses claimed during any activity would not be allowed by many organisations in the private sector. Increasingly, the establishments that will attract the largest investments will be those who can demonstrate that they are the most fiscally savvy, that money invested will be used in a focused manner.

The need to gain control of expenses is apparent. The need is to do this in a manner that is both acceptable to the top talent and as transparent to them as possible. A platform that allows for flexibility, yet ensures compliance with agreed policies along with the capability for full reporting internally and externally has to be the focus for higher education establishments.

This report looks at the various aspects of expenses in a higher education establishment and how the issues involved can best be approached. The report will be of interest to senior administrators and those responsible for the financial running of any higher educational establishment.

## 2. A hierarchy of island hierarchies

Higher education establishments consist of complex groupings of individuals and teams across a multiplicity of functional and educational responsibilities. Back office functions, such as facilities and central services, will be a core group of people dedicated to running services across the whole of the establishment. There will be central administrative staff whose focus is to attract the best students to the establishment as well as to ensure that basic funding is attracted and maintained. There will be a set of individual faculties with a degree of responsibility for their raising their own funding through attracting investments to certain research projects or academic activities, along with the need to fight for a proportion of the central establishment funding. Within the faculty will be department heads, each of which are fighting to maximise the amount of money available to them for tuition, research and other activities.

The hierarchy within higher education is far more complex than would be seen in the majority of commercial organisations. Heads of department and faculty fight each other for access to funding that can be administered from many different sources. With different departments running as essentially independent groups, knowledge is often seen as the ultimate power, and expenditure details can be well guarded so as not to let others know how much the department's expenses are, or how and where they have been incurred.

This hierarchy of hierarchies leads to a complex mix of individuals not wanting to let others see exactly where expenditure is occurring. However, for the main administrative body of the educational body, there is a key requirement to have visibility of all expenditure. Controlling the big spend is no longer enough – the need to manage the massive amounts of low-level expenditure can result in large amounts of money being freed up for better investments. There has been an increasing move to cover large expenditure management through the use of centralised IT systems and purchasing departments, yet low-level expenditure and ad hoc expenditure has not been brought under control.

Expense claiming in higher education needs to be able to deal with the individual, the position that individual holds within their department as well as within the faculty, and where the faculty fits within the establishment and overall educational body. Reporting needs to be capable of identifying exceptional individual spend, departmental, faculty and establishment spend, as well as providing the analysis for the various stakeholders in the educational body's funding to make decisions on future investments. The capability to then use these reports to baseline departments against departments and establishments against establishments creates an effective means of creating a more rigorous approach to expenses across the board – to the benefit of all.

### 3. The devil lies in the detail

As an example of how important expense management can be, let us look at a typical large education establishment. UCLA in the U.S. has an academic staff of just over 4,000. If each one of these individuals incurs an average expense of just \$100 per year for items used while working at home (bearing in mind that a single ream of printer paper comes in at around \$6, a memo pad at around \$2.50, a pack of paperclips around \$6 and a pad of sticky memos around \$15 for a large pack), and averaged one trip per year costing \$300 for the flight and \$100 for a night's stay in a hotel (including meals), the basic expenses cost would be \$2m. Putting in place a system that could save just 5% of this cost frees up \$100,000 – or the best part of a fully loaded senior administrative worker. That the figures used are obviously conservative just serves to show the possibilities in providing better management of expenses in higher education.

T&E expenses are a core part of ad hoc expenditure for academic staff and for central managerial staff. The need for an educational body to maintain its profile across other educational bodies, to be seen to be at the peak of performance to external commercial bodies and to be able to attract inward investment from philanthropic individuals and bodies means that a certain degree of latitude has to be allowed in certain circumstances. For example, a meeting between an educational body's Chancellor and the CEO of a pharmaceutical company looking to invest in a research project or with an individual wanting to fund a Chair in a specific faculty cannot be run against expense rules that state that a meal cannot cost more than \$25. However, that same degree of latitude cannot be applied to a lecturer on a visit to a different establishment for a convention lasting five days – here, accommodation and subsistence limits will need to be applied and enforced.

Even at the administrative level, different groups within a faculty may purchase their own stationery on a semi-autonomous basis – and academic staff may expense their own paper, computer and printer hardware and other office supplies against their personal credit cards and then claim back against the establishment. Working from home in the manner of marking student papers and setting out content for lectures and so on tends to lead staff members to expense large volumes of items for home use, often through just stopping off at the local store on the way between campus and home – and often without considering the cost, as it is expected that the educational body will pick up what is seen as a small cost. However, all these “small costs” can soon aggregate into a large amount of money – and the application of control can result in this money being able to be applied where it has the most impact; in the research and academic endeavours of the institution.

Few establishments then enforce mandatory expense forms. A collection of vague receipts along with some idea of expenditure is often accepted as sufficient proof of expenditure – and this can lead to a very high degree of low-level fraudulent claims, as well as a level of high-level fraud that needs to be prevented. Low-level fraud can easily build up to be a highly expensive problem; but planned, high-value fraud will not only be costly at a direct financial point of

view, but will also impact the brand of the establishment in the wider world, impacting the opportunities for inward investment and attracting the right calibre of staff and students.

#### 4. Management through transparency

The key to managing expenses across an educational body is to provide a system that is essentially transparent to the user. Administrative staff should be enabled to use purchasing processes that make it easier to use agreed suppliers rather than to deal with ad hoc suppliers where special deals have not been negotiated. Similarly, academic staff should be encouraged to also use the same suppliers to maximise volumes with these suppliers and so to gain the best possible deals.

Wherever possible, corporate credit cards should be provided to all staff members who are likely to expense on an ad hoc basis. Where this may be problematic, tying in academic staff's personal credit cards into the expense process can provide benefits to all parties. Expenses can be automatically checked, and those that fall within the educational body's policies can be settled directly with the credit card company, ensuring that the staff member does not incur any late payment charges. Personal expenditure can be hidden from the view of the educational body, and exceptions can be raised automatically and sent for a final decision by the staff member's superiors.

Travel expenses need to be centrally managed and provisioned. Staff members should not be able to go to any travel site or agency that they see fit to use, but should be pointed to the use of specific sites where the best overall deals can be gained, and where the overall needs of the educational body can be optimally served. For example, although an individual may find that they can get a flight from San Francisco to London at a hundred dollars or less than it would seem the establishment's travel program can get it, but if the staff member then needs to change any details on their flight, they may find that extra charges are applied – and that these charges may be very high. Centrally controlled travel policies may enable certain classes of staff or types of travel to be dealt with through different policies that can allow for such flexibility. For example, an internal flight from Charlotte to New York in the U.S. for a lecturer may be enforced at the cheapest non-flexible tourist class tickets, whereas a long haul flight such as San Francisco-London may be allowed at a flexible business class rate for a Dean. Such centrally managed travel systems can then bypass the use of the individual's credit card completely, being paid directly from the establishment's or body's budget directly. Also, having travel managed centrally allows universities to collect data regarding where T&E budgets are being spent. With increased visibility, universities can leverage this data to negotiate more competitive rates with travel suppliers. Such a centralised and automated system also provides an aggregated view of what travel is being carried out, and whether this can be supported against the benefits gained by the individual, department, faculty and institution.

Certain expenses need to be based on hard and fast rules – for example, having a policy that seminar entertainment can only be for the staff member (not for other academics as “guests”) and cannot exceed a certain amount. Capturing the transaction at the point of expense through the use of photographs of receipts attached to immediate records made via smartphone means that expense claims can be rapidly automated. Requests for exceptional circumstances (for example, where a possible investor has been entertained and the expense claim is higher than would normally be allowed) can be routed automatically to a decision maker and the claim can then be automatically settled via the credit card issuer – or the claimant can be asked for further information to support the claim. This then means that misunderstandings and issues can be removed from both the academic and administrative staff.

#### 5. The need for acceptance

As with the majority of commercial concerns, those further up the hierarchy tend to dislike bureaucracy. The act of maintaining full records for expenses and in submitting expense claims is anathema to many. Within a higher education environment, the problem can be exacerbated due to the extensive upper echelon hierarchies that are in place. A sudden change from a relatively lax and open expense claims system to a more stringent “command and control” model will only lead to intransigence and arguments that will cost more in the long run.

The academic, administrative and management staff all have to be carried through with any change. Change management and education will be required in order to gain acceptance. Quocirca feels that the following are suitable areas for starting any discussion as to why greater management of expenses makes sense for all concerned:

- **Growth in expenses is high.** The proportion of incoming revenue being spent on T&E is growing. The various revenue providers will want to see that expenses are managed and that their investments are not being wasted.

- **Accuracy in repayment.** Without proper expense management, the chance of being under refunded is there. A fully managed system ensures that payments are made in full against agreed policies.
- **Timeliness in repayments.** Integration and automation of the expense process with agreed suppliers and service providers ensure that repayments are made in a timely manner, avoiding any costs for late payment of personal credit card bills.
- **Avoidance in issues around over claiming.** Lack of accurate record keeping can also lead to accidental over claiming for expenses. This can then lead to tax issues further down the line for the individual concerned. An automated and transparent expense management system helps to avoid such issues.
- **Best practices can be identified and promulgated.** If an individual, department or faculty is managing certain expenses in a better way than others – for example, through the use of better bulk deals on stationery or through aggregating mobile telephone contracts – these practices should be able to be picked up on and used across the organisation in order to free up more money for the good of the whole body.
- **Decisions can be sped up.** The use of automated policies can make for general expenses to be agreed and expedited directly. With the general load automated, exceptions can be dealt with more speedily, and decisions made more rapidly and effectively.
- **Avoidance of fraud.** There is massive difference between misclaiming against an expense due to poor record keeping and fraudulently claiming for an expense not incurred, or changing the amount reclaimed knowingly. Although such fraud is relatively rare, the impact to an educational establishment's brand should such a case be made public can be high. External investors will be far less eager to invest, and students and academic staff could be less attracted to the establishment. Minimising fraud through more accurate and automated procedures has to be a focus going forward.
- **Transparency of usage.** Manual expensing has a definite impact on the individual. At the very least, they will need to claim back an amount to match the expenditure incurred and so to pay back the credit card company or to regain the cash paid out. Maintaining expense records along with receipts and filling in expense claims should be the norm, but is seen as being overly time intensive for many to bother with. Capturing spend at the earliest possible time, paying directly from the establishment's account wherever possible or ensuring that other expenses are captured at the point of incurring them and that personal credit card bills are paid directly without the need for the individual to be involved means that the overall process removes even the level of impact seen at the moment.

The idea here is to create an environment where each individual and group sees that the move to a more formal basis for expenses works for all concerned. Any system implemented will not be a centralised "thou shalt not do" system – it will allow for the flexibility demanded by a complex environment such as a higher educational establishment, and it will result in a more streamlined, cost effective and efficient means of dealing with expenses.

## 6. Minimising the cost of management

Standard approaches to expense management have revolved around bringing in a hardware platform on which an internal system can be hosted. This then involves the costs of hardware and software acquisition, along with the on-going costs of maintenance and support for the system. It also requires a degree of domain expertise to manage areas such as global sales tax management and how policies can be applied on a worldwide basis. For a higher education establishment, this can be seen to be overly expensive and unmanageable, and that it is better to stay with the status quo, rather than try and implement such a solution.

However, a fully managed externally hosted system removes all of these issues. The hardware and software is provided by the hosting company, along with global domain expertise and support. Further, the access device becomes a matter of choice for the individual – a suitable hosted provider should not constrain the individual by only supporting a desktop and laptop computer. With the growth in the use of smartphones, slates and tablets, these will be increasingly used by the academic staff member on the way to and attending conventions and seminars for claiming ad hoc expenses.

A hosted system also means that changes in expense management can be easily embraced. Should the rules change for a specific geography, it is down to the hosted software provider to ensure that this change is accounted for – and the cost can then be shared across the whole of their user base, rather than by individual installed on-premise instances. It also means that these changes tend to be more immediate, as they can be carried out directly against the master software – rather than an individual user having to wait for a suitable window to take the server and software down for the change to be applied.

Also, a hosted system will be globally accessible without the need for the establishment to provide high availability connections. As the vendor provides the data centre and therefore the connectivity, it is down to them to provide the connectivity – and again, as the costs are shared between the installed base, the levels of not only access availability, but hardware and software availability should be far higher than a higher education establishment would warrant for such a function provided via an internal system.

## 7. Conclusions

There are many common points between how a modern higher education body works and how a large commercial body also operates. However, the problem is more in the differences, and dealing with expense management in higher education has to be approached in a different manner to how it would be in a commercial organisation.

Enabling flexibility while exerting control has to be the aim. A combination of roles and responsibilities within a contextual framework and knowledge of the individual means that the various activities can be more easily identified and policies applied to them. For example, administrative staff will tend to operate pretty much the same as their equivalents in a commercial organisation. However, academic staff will sometimes act as administrative staff when purchasing such items as stationery or computer consumables, yet will act as highly mobile executive staff when attending other academic establishments, conventions or seminars. Again, they could be acting as senior ambassadors for the educational body or establishment when dealing with externals – and there has to be the capability for the policies and procedures across the body to be flexible enough to deal with all these different cases.

Automation of T&E processes can lead to massive savings in time spent in current manual systems and in attempting to reconcile figures in a manner that meets the expectations of the range of interested parties from individuals to grant bodies to central tax authorities. The enhanced visibility of the T&E process can lead to a greater knowledge of how certain expenses can be optimised, through aggregating and centralising expense in areas such as mobile phone usage, travel and accommodation. This same visibility automatically cuts down on both accidental and malicious fraud. By ensuring that policies can be enforced, the casual T&E overspend is automatically avoided, whereas the individual attempting to fraudulently “play the system” will find it very difficult to do so.

Overall, the application of a solid T&E management system provides a firm basis for higher education establishments to provide control and visibility combined with the flexibility that is needed for such a complex environment. By using a hosted system, the costs of maintaining and updating such as system are negated, and the use of a service provided by a vendor dedicated to T&E management means that high levels of domain expertise are not required internally.

## Appendix: Nomenclature

The nomenclature of higher education around the world is diverse, and can lead to a high degree of misunderstanding unless a nomenclature is agreed for discussions to take place. For this document, the following nomenclature has been used:

**Educational body** – an overall entity which may comprise a grouping of individual centres of education. This may be a University, as in the sense of Oxford or Cambridge in the UK, or a Corporation, as in MIT in the U.S. In some countries, educational establishments may fall directly under the control of central government, which would be the educational body in this situation.

**Establishment** – a single educational campus or common named entity. This may be a College as in King’s College, Cambridge in the UK, or the University of Southern Carolina, which has multiple campuses running under essentially one overall control hierarchy.

**Campus** – a single site for an educational establishment.

**Faculty** – a division within a university that specialises in a specific subject area, often called a division or a school in the U.S.

**Chancellor** – the head of the establishment, sometimes a Corporation President in the U.S.

**Treasurer** – the person responsible for the overall financial health of an establishment or educational body.

**Bursar** – the person responsible for the day-to-day financial running of an establishment and in dealing with student financial details.

**Dean** – the head of any faculty, school or division.

**Chair** – a funded position within a faculty, generally held by a professor, and generally funded by a commercial or philanthropic body or person.

**Academic staff** – Professors, lecturers, teachers and employed researchers working for a faculty. In the U.S., these are often known as faculty staff, or purely the faculty.

## About Concur Technologies, Inc.

Concur is the world's leading provider of on-demand Employee Spend Management services. Concur helps small, mid-size and large organisations control costs by uniting online travel booking with automated expense claim, and streamlining invoice processing. Concur's suite of award-winning on-demand services allow companies to get up and running quickly so they can focus on what's most important. By automating and optimizing business processes, Concur delivers actionable business intelligence and rapid ROI, helping companies increase efficiency, control employee spend and drive down operational costs. Concur's business travel and invoice solutions are trusted by thousands of companies and reach millions of employees worldwide. Learn more at [www.concur.co.uk](http://www.concur.co.uk).

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#### REPORT NOTE:

This report has been written independently by Quocirca Ltd to provide an overview of the issues facing organisations seeking to maximise the effectiveness of today's dynamic workforce.

The report draws on Quocirca's extensive knowledge of the technology and business arenas, and provides advice on the approach that organisations should take to create a more effective and efficient environment for future growth.

Quocirca would like to thank Concur Technologies, Inc. for its sponsorship of this report and the Concur Technologies, Inc. customers who have provided their time and help in the preparation of the case studies

## About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with firsthand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

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