Employee expense claims

Process Definition Document (PDD): template and worked example

Example company (fictional): Calder & Moss Engineering, a building services contractor in Leeds, United Kingdom (about 540 employees).

Document control

Field	Value
Process name	Employee expense claims
Process owner	[Name, role]
Prepared by	[Name]
Reviewed by	[Names of the people who do the work]
Approved by	[Name, date]
Version	1.0 (as-is)
Status	Draft

How to use this template

This is a complete process definition document (PDD) for employee expense claims, also called travel and expenses or T&E. It describes the process as it runs today at a fictional engineering contractor, with the roles, systems, steps, decisions and controls you would expect in a real finance operations team.

Use it as a starting point. Replace the company details, keep the sections, and walk through each step with employees, managers and the finance team that checks the claims. Most companies change the spending limits, the audit sample rate and the reimbursement day. The structure stays the same.

- Replace the company, tools and bank with yours. If you use a dedicated expense product, name the screen or workflow where each step happens.
- Set your own category limits, audit sample rate and deadlines in steps 3, 5 and 10. These differ more than anything else between companies.
- Check the percentages with real data. A month of claims is enough to see how many lines are flagged, how many receipts are missing and how long managers take to approve.
- Ask the tax adviser to confirm the VAT treatment of each category for your country. The treatment of meals, entertainment, fuel and foreign spend varies and changes.
- Decide who owns the policy. When the policy has no owner, exceptions pile up and the audit has nothing to measure against.
- Keep the as-is version even after you redesign the process. It is your baseline for measuring the change.

1. Purpose and scope

This procedure describes how Calder & Moss Engineering reimburses employees for business expenses paid out of their own pocket and how it reconciles spending on corporate cards. It gives employees, managers, finance and payroll one shared description of what can be claimed, who approves it and when the money arrives, so that claims are paid quickly, within policy and with the VAT recovered correctly.

In scope

- Out-of-pocket claims for travel, accommodation, meals, small equipment and client entertainment
- Mileage claims for private vehicles used on business

- Corporate card statements and the reconciliation of card transactions to receipts
- VAT recovery on eligible expenses and the weekly reimbursement run

Out of scope

- Supplier invoices paid through accounts payable
- Payroll benefits and company car taxation
- International relocation costs, handled by HR
- Tax treatment of expenses for the individual employee

2. Process at a glance

Item	Description
Trigger	An employee pays for something on the company's behalf, or a corporate card statement closes.
Starts when	The employee creates an expense report and attaches the receipts.
Ends when	The employee is reimbursed in the weekly run, or the card transactions are matched and posted.
Inputs	Receipts and invoices, Mileage log, Corporate card statement, Expense policy and limits, Project and cost centre codes
Outputs	Approved expense report, Reimbursement payment, Posted ledger entries with VAT split, Card reconciliation report, Audit sample results
Volume	About 9,500 claims a year, 1,200 card transactions a month, 310 active claimants
Working hours	Monday to Friday. Reimbursement run every Thursday. Card statements close on the 20th of each month.

3. Roles and responsibilities

Role	Responsibilities
Employee	Pays business costs, keeps the receipts, submits the expense report within 30 days and answers queries.
Line Manager	Checks that the spending was for the business and approves or rejects the claim within 5 working days.
Expenses Analyst	Checks each approved claim against the policy, codes the VAT, handles queries and prepares the reimbursement run.
Audit Analyst	Samples approved claims for a full receipt review and reports findings to the Finance Manager.
Finance Manager	Owns the policy, approves exceptions, signs off the weekly run and reviews the monthly card reconciliation.
Payroll Officer	Handles mileage rates and reimbursements that must go through payroll, and recovers amounts from pay when agreed.
Treasury Officer	Uploads the payment file to the bank and releases it with a second signatory.
Card Provider (external)	Issues corporate cards and sends the monthly statement and transaction feed.

4. Systems

- Microsoft Power Apps: in-house expense form with receipt upload and policy flags
- Sage Intacct: general ledger, VAT codes, payment batches
- Barclays business banking portal: Bacs payment file release
- Corporate card portal: transaction feed and statements
- Microsoft Outlook: queries and reminders

5. Process map

Process diagram goes here

Draw one lane per role from section 3, the steps from section 6 in order, and a diamond for each decision in section 7.

6. Procedure, step by step

#	Step	Who	What happens	System	Output
1	Pay and keep the receipt	Employee	Pays the cost on a personal payment method or the corporate card and photographs the VAT receipt the same day. A card slip without an itemised receipt is not enough for meals or hotels.	Phone camera	Receipt image
2	Create the expense report	Employee	Enters date, amount, currency, category, project code and business reason for each line, and uploads the receipt. Mileage lines carry the start and end postcodes and the number of miles.	Power Apps form	Draft expense report
3	Submit within 30 days	Employee	Submits the report. The form blocks submission for any line older than 60 days and warns at 30 days. Claims for card transactions are matched to the feed at this point.	Power Apps form	Submitted report
4	Review and approve	Line Manager	Checks the business reason, the project code and whether the spending looks reasonable. Approves, rejects with a reason, or sends it back for more detail. Reminders go out after 3 working days and the claim moves to the manager's manager after 10.	Power Apps form, Outlook	Approved or returned report
5	Run the policy check	Expenses Analyst	Checks each line against the policy: category limits such as 25 GBP for an evening meal and 140 GBP for a hotel night outside London, no alcohol on a solo claim, receipts present and dated. The form flags about 18% of lines automatically.	Power Apps form	Lines accepted, flagged or queried
6	Query flagged lines	Expenses Analyst	Emails the employee about missing receipts, over-limit amounts and unclear reasons. The employee has 5 working days to reply. Over-limit amounts are paid up to the limit unless the Finance Manager approves an exception.	Outlook	Query answered or line reduced
7	Decide on exceptions	Finance Manager	Reviews requests to pay above a limit or without a receipt, for example a lost receipt for a taxi at an airport. Approves or declines	Outlook	Exception decision logged

#	Step	Who	What happens	System	Output
			in writing, and keeps a log of each decision.		
8	Code the VAT	Expenses Analyst	Splits each line into net, VAT and gross, and applies the VAT code. Eligible amounts such as hotel rooms and fuel for business use are marked recoverable. Client entertainment and most meals are marked irrecoverable. The rules are the general ones and the tax adviser checks them each year.	Sage Intacct	Coded lines with VAT split
9	Check mileage	Expenses Analyst	Checks mileage claims against a route distance tool, allowing a 5% tolerance, and applies the approved pence-per-mile rate. Claims above the rate that applies without tax are sent to the Payroll Officer.	Power Apps form, Excel	Verified mileage amounts
10	Pull the audit sample	Audit Analyst	Each week selects 10% of approved claims at random, plus every claim above 1,000 GBP and every claim from a person with two or more exceptions in the last quarter.	Power Apps form, Excel	Audit sample list
11	Review the sample in full	Audit Analyst	Opens every receipt and checks that the date, supplier, amount and VAT number agree with the claim, and that the same receipt has not been claimed before. Records the result for each claim.	Power Apps form	Audit results
12	Prepare the reimbursement run	Expenses Analyst	On Wednesday groups all approved and checked claims into a payment batch, excluding anything under audit query. Each employee gets one payment for the week. Amounts under 5 GBP roll forward.	Sage Intacct	Payment batch
13	Sign off the run	Finance Manager	Reviews the batch total against the approved claims, checks the five largest payments and approves the batch.	Sage Intacct	Approved batch
14	Release the payment	Treasury Officer	Uploads the Bacs file, checks the total against the approved batch and releases it with a second signatory. Employees are paid on Friday.	Barclays portal	Payments released
15	Notify and post	Expenses Analyst	Posts the expense and VAT entries and sends each employee a payment notice listing what was paid and what was reduced.	Sage Intacct, Outlook	Ledger entries, payment notices
16	Submit the card statement lines	Employee	By the 5th after the statement date, confirms each card transaction with a receipt, category and project code. Personal use is declared and repaid.	Power Apps form	Card lines confirmed
17	Reconcile the card statement	Expenses Analyst	Matches the statement total to the transactions in the ledger and lists lines with no receipt after the deadline. Chases the employee and the manager.	Sage Intacct, card portal	Card reconciliation with open items
18	Recover unsupported spend	Payroll Officer	Recovers card spending that is still unsupported 30 days after the deadline, or personal spend that was not repaid, from pay with the employee's written agreement. The amount is recorded on the reconciliation.	Payroll system	Recovery processed
19	Review the monthly results	Finance Manager	Reviews the card reconciliation, the audit findings and the exception log. Repeat policy breaches go to the employee's manager.	Excel	Monthly review notes

7. Decision points and business rules

- Is the claim within 60 days of the spend? No: the form blocks it, and only the Finance Manager can accept it late (step 3).
- Does the Line Manager agree the spending was for the business? No: reject with a reason (step 4).
- Is each line within the policy limit and supported by a receipt? No: query it, then pay up to the limit or decline (steps 5 and 6).
- Is the VAT recoverable? Yes: mark it recoverable on the VAT code. No: post the gross amount to the expense (step 8).
- Is the claim selected for audit? Yes: full receipt review before payment (steps 10 and 11).
- Is the card line supported by a receipt after the deadline? No: chase, then recover from pay (steps 17 and 18).

8. Exceptions

- Lost receipt (about 3% of lines): the employee signs a statement and the Finance Manager decides. The VAT is not recovered without a valid receipt.
- Foreign currency spend (about 8% of lines): the amount is converted at the card statement rate for card spend, or at the rate on the day of the spend for cash claims.
- Claim for someone else's cost, such as a team dinner: only the person who paid claims, and the attendee names are listed on the line.
- Employee leaves the company: outstanding claims are handled in the final pay run, and unreturned card spending is recovered with the final pay where the contract allows.
- Manager is also the claimant: the claim goes to the manager's manager.

9. Controls

- Segregation of duties: nobody approves their own claim, and the person who prepares the run cannot release the payment.
- Receipt required for every line over 10 GBP, and an itemised VAT receipt for any claim where VAT is reclaimed.
- Weekly audit sample of 10% plus all claims above 1,000 GBP.
- Duplicate check on supplier, date and amount across all reports and the card feed.
- Dual signature on the bank file.
- Category limits enforced by the form, with exceptions logged by the Finance Manager.
- Receipts and reports kept for the period required by UK tax rules, to be checked locally.

10. Known issues today

- Employees save receipts for weeks and submit in one go, so a claim takes a long time to check and the VAT date is far from the spend date.
- Managers approve on their phone without opening the receipts, so the policy check finds the problems later.
- Card statements close on the 20th but receipts arrive by the 5th of the next month, which leaves a long gap with unsupported lines.
- Mileage claims are keyed by hand and the distance check is done on a second screen.
- Typical time from submission to payment is 9 days, while checking takes about 6 minutes a claim.

11. RACI matrix

R = responsible (does the work), A = accountable (owns the outcome), C = consulted, I = informed.

Activity	Employee	Line Manager	Expenses Analyst	Audit Analyst	Finance Manager	Payroll
Create and submit expense reports	R	I			A	
Approve the business purpose	I	A/R	I			
Check the claim against policy	C		R		A	
Decide on exceptions	C	C	R		A	
Code VAT			R		A	
Check and pay mileage	C		R		A	C
Audit sample	C		C	R	A	
Run reimbursement	I		R		A	
Reconcile corporate cards	R	C	R		A	C

12. KPIs

KPI	Definition	Target
Days from submission to payment	Average calendar days between the employee submitting a report and the money reaching the bank account. Today about 9 days.	[set]
Days from spend to submission	Average days between the date on the receipt and the date the claim is submitted.	[set]
First-pass approval rate	Share of lines that pass the policy check without a query. Today about 82%.	[set]
Audit exception rate	Share of audited claims with a finding such as a missing receipt, a wrong amount or a duplicate.	[set]
Unsupported card spend	Value of card transactions with no receipt 30 days after the statement date.	[set]
VAT recovered on expenses	VAT reclaimed each quarter on eligible expense lines, compared with the VAT shown on receipts.	[set]

13. Revision history

Version	Date	Author	Change
1.0	[date]	[name]	First as-is version

Free template from processfix.ai. You may copy and adapt it. The company in the example is fictional.