financially **PINK**

Clean & Lean Expenses

The annual bill for travel and entertainment among American companies is more than $200 billion, according to Concur Technologies, a software provider, and American Express. That's big business, but it's also fertile ground for big-time fraud, as some employees see company travel as a chance to live large on the company dime.

What strategies can a business owner implement to cut down on expense report padding? Adopting savvy technology is the first step. Ernst & Young, A.T. Kearney and Office Depot have joined the ranks of companies that are leveraging technology to uncover travel violations and curb costs. American Express recently launched online "Card & Travel Variance" reports that flag violations like unnecessary flight upgrades.

Second, companies should establish and communicate clear guidelines for employees regarding entertainment and travel expenses. For instance, what kind of hotels should they book? Can they fly business class? Must they rent only economy cars? It also helps to put expense approval policies in place — for example, requiring management approval for any expense above $50. And management should sign off on all expense reports before they're submitted for payment.

For unreimbursed travel and entertainment expenses, employees can get limited tax breaks using IRS Form 2106 *(Employee Business Expenses)*. The deductible amount for meals and entertainment expenses is reduced by 50 percent, and total expenses are subject to a 2 percent of adjusted gross income limitation. The same rules apply to small corporations and sole proprietorships, except they are not subject to the 2 percent limitation.

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