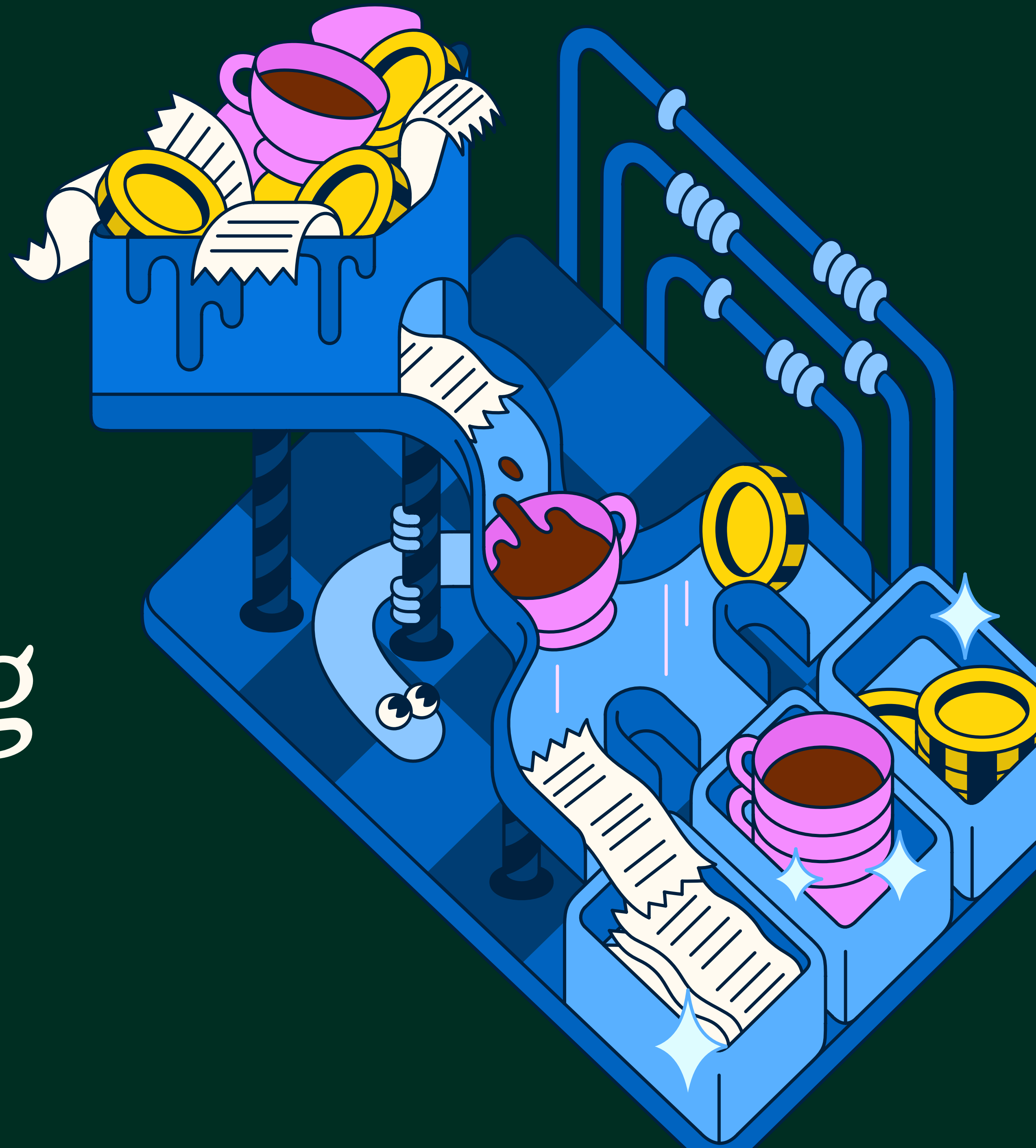
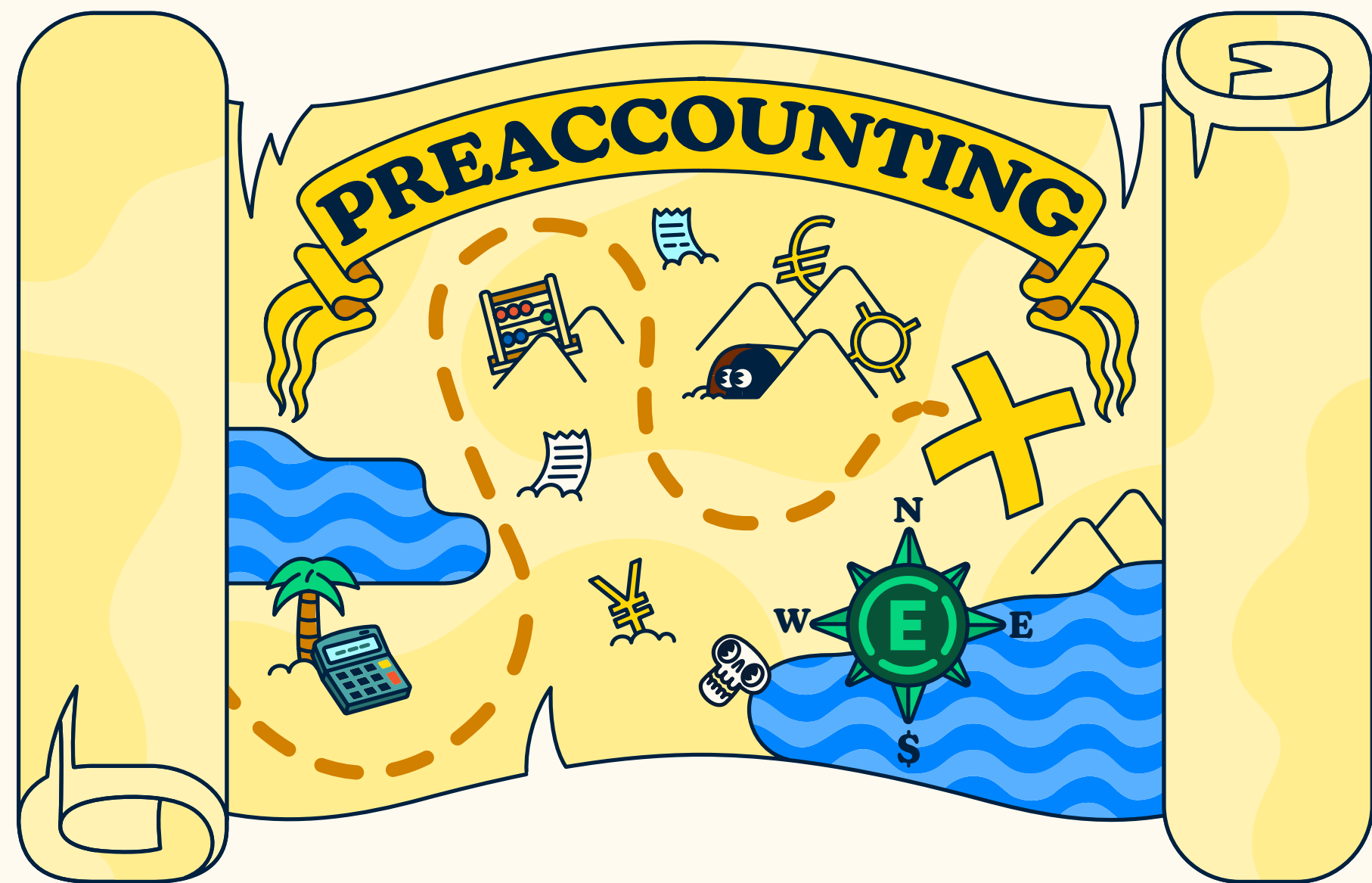


A practical guide to Preaccounting

Expensify





In the intricate world of finance, words like accounting and bookkeeping are commonly thrown around. However, “preaccounting,” a relatively new term, might sound alien to some. Preaccounting is an unsung hero, operating quietly in the background, ensuring smooth financial transitions, and keeping businesses afloat.

In this comprehensive guide, our goal is to shine a light on current preaccounting inefficiencies in order to understand and improve best practices — resulting in an increase in efficiency and time savings across the board.

Let's dive in!

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What is *preaccounting*?

That's a great question — and one you should be asking if you're finding yourself overwhelmed by tedious financial tasks or bottlenecks in your accounting process.



What is preaccounting?



As Expensify CEO David Barrett explains it,

“Preaccounting is the system through which financial data is gathered, coded, aggregated, and normalized so as to enable accounting to occur; accounting processes executed by non-accountants, including expense management, time tracking, etc.”¹



Preaccounting might not be the most exciting process, but it's a must to keep any business afloat. It's the critical step before the accounting work starts that ensures your finance team isn't left chasing down receipts during month-end close. Accounting already involves a ton of arduous manual tasks – including data entry, sorting, and handling of paperwork – but there are ways to make the process so much more efficient by handling most of the grunt work up front. Laying a solid preaccounting foundation across your entire company can save your team the most time and money.

The best practice? Combining preaccounting software with accounting automation features to completely streamline your workflow.

More on that below!





Who takes care of preaccounting?

At a glance, preaccounting can seem like a gray area: it's both everyone's and no one's responsibility, creating a tragedy of the commons with significant risk for crucial tasks to be overlooked. While it's not technically the job of the accountant or the client, it has to be done for your business to run efficiently. So, who should handle it?

Encouraging every individual within your organization to take charge of their preaccounting is a game-changer. With tools like Expensify, anyone who incurs expenses can handle their own records effortlessly. Just snap a photo, and the system will automatically import and sync with categories from your accounting package.

The best part? Expensify can even auto-submit expenses for you. This approach not only simplifies the process but also ensures everyone is proactive about their expenses, leading to swift reimbursements.

Why preaccounting matters



An automated preaccounting process is the ultimate saver of time, money, and brainpower at your business. Without it, you waste precious hours sorting through piles of receipts, confirming billable hours and mileage, or carrying out similar manual, monotonous tasks that almost always end with someone falling asleep at their desk.

When you're overwhelmed by the preaccounting process, you're not able to dedicate the necessary time to your role in reporting accurate financials, which can lead to frustrations and delays across the board, for both employees and admins alike. But when you set up a preaccounting game plan, you pave the way for more accurate, efficient, and strategic business operations — saving money, time, and headaches down the line.

Think of your financial workflow like a clockwork mechanism: preaccounting is the oil that keeps the gears moving seamlessly. Skip the oil, and the gears start to grind and wear out. Eventually, this lack of maintenance makes the whole system come to a halt — causing you to, quite literally, lose valuable time.

Where does preaccounting fit into your workflow?

Preaccounting needs to happen before accountants can start their work.

We know this is vague, so let's break it down.

While accountants focus on improving their internal accounting processes, they often overlook improvements to their employees' workflows. As a result, accountants are left chasing employees for receipts, confirming tracked billable hours and mileage, and handling other tasks the employees should take care of.

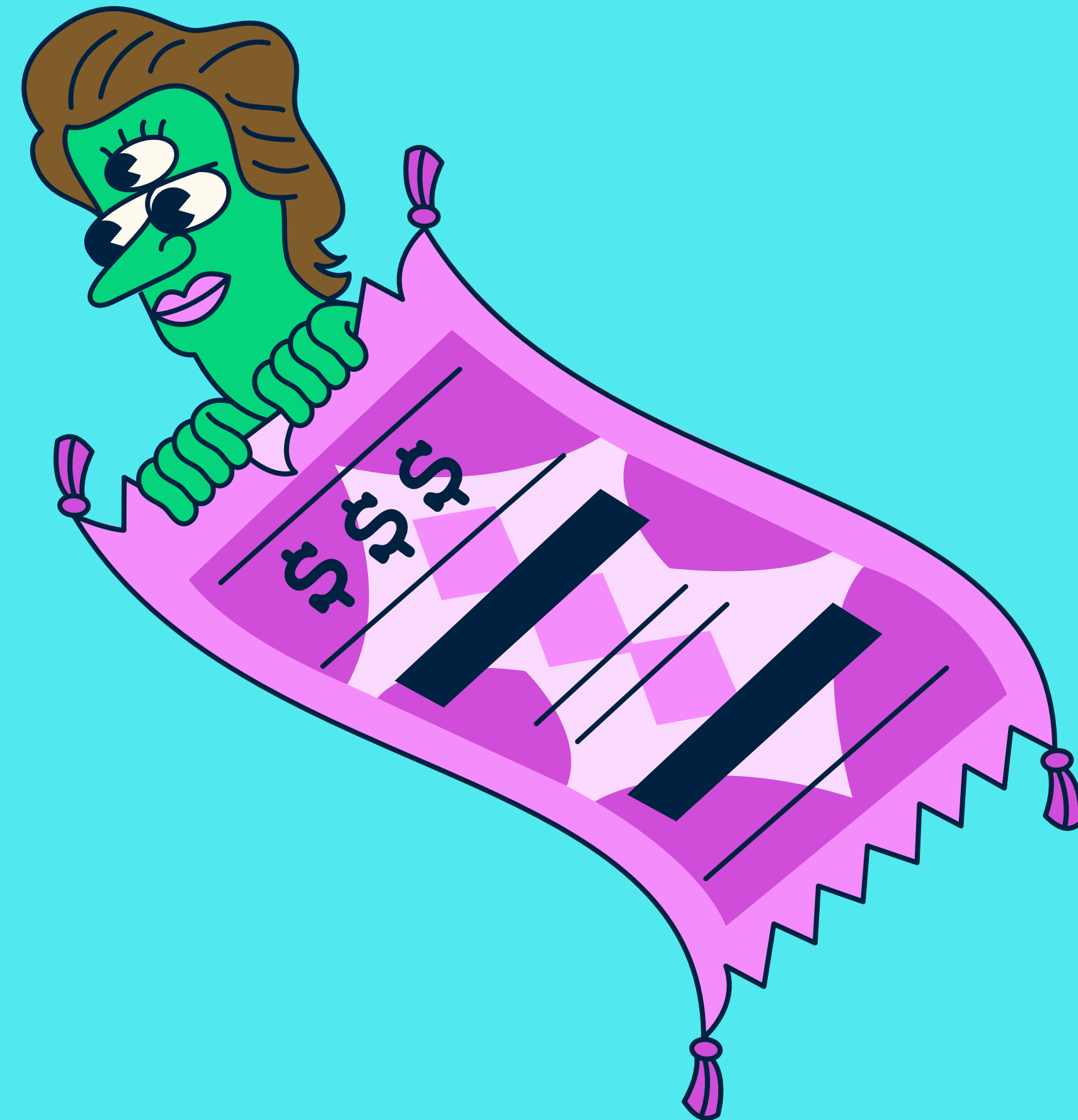
However, preaccounting work isn't the accountant's or CPA's responsibility — it's simply “work that needs to be done for CPAs to start their job.”² So how can you ensure preaccounting is checked off the to-do list before you begin reporting on your company's monthly financials?

To answer this question, we first need to understand the hold-ups in the preaccounting process.

Once we pinpoint those inefficiencies, we'll introduce some tips to ensure nothing slips through the cracks. With our guidance, your preaccounting process will not only run smoother but also supercharge your team's productivity and profits.

Let's get the ball rolling!

How can
you make your
preaccounting
process more
efficient?



Identify *preaccounting* inefficiencies



Before diving into reshaping your preaccounting process, it's a good idea to pause and evaluate where you stand. This helps pinpoint what's missing and where you can level up!

To help you start, we've identified four common areas of preaccounting pitfalls. After reading, you should be able to not only identify these sneaky inefficiencies at your own company but also understand how to solve them.

1. Manual processes are still the norm

Let's face it — manual processes can be a drag, but old habits die hard. The digital age has brought about a lot of change, especially with cloud-based apps and digital systems that make our work lives more flexible and connected. So why are we still wasting time on manual processes when we could just... automate those tasks?

If you're finding yourself or your team confined to the company's antiquated manual systems, spending valuable time typing out every data entry by hand, or digging around for wrinkled receipts, you could likely benefit from preaccounting automation.

Manual processes might be hindering you if...



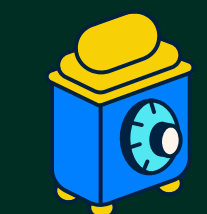
Your staff is bogged down with manual data entry.



You receive receipts inconsistently and with no set process.



You receive expense reports from employees that are incorrectly coded, lacking itemized receipts, and/or without additional context.



Your system lacks a single, shared, magic place where your team can store and view receipts simultaneously.

Solve this inefficiency by...



Identifying all bottlenecks in your workflow.



Dreaming a little: What would your ideal process look like?



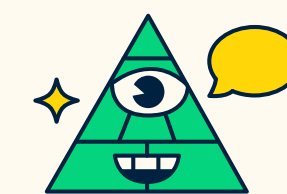
Bringing in tech platforms that directly integrate with each other to automate the mundane, leaving you free for the big stuff.

1. Manual processes are still the norm

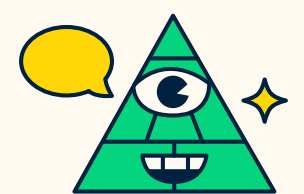
First things first — let's identify your areas for improvement. Take a moment to evaluate: Where does the process slow down? Is it the tedious data entry? The back-and-forth chase of client receipts? The hours spent logging invoices by hand?

Once you've honed in on your bottlenecks, it's time to reimagine your workflow. Picture a frictionless scenario for every issue. What does that look like? For example, if you're spending too much time inputting receipts manually, consider how this task could be streamlined with a mobile app, encouraging employees to snap a photo of the receipt as soon as they get it.

This is where preaccounting software like Expensify steps in to transform the way you work. Armed with the right tools, those mundane tasks like receipt scanning become quick and hassle-free. Employees simply take a photo of the receipt as soon as they get it, and Expensify will automatically extract, categorize, and store the details for you. When you prioritize preaccounting, your team is free to channel their energy into analysis and strategy rather than data entry and receipt tracking.



Expensify Pro-Tip:



SURVEY YOUR TEAM TO SEE WHAT PART OF THE PROCESS THEY SPEND MOST OF THEIR TIME ON. BECAUSE THEY'RE LOOKING AT THE DATA DAILY, THEY'LL BE ABLE TO HELP FIGURE OUT WHICH TASKS CAN BE EASILY AUTOMATED AND WHICH TASKS NEED HUMAN REVIEW.

2. Lack of urgency

Unfortunately, accountants have gotten used to an influx of receipts at the end of the month because employees usually only send them when reminded.

Since there’s no clear deadline for sending these receipts, everything piles up for the accountant at month’s end, making their job exponentially more difficult. This delay creates a never-ending cycle of rushing and stress every month — a problem that could easily be avoided with the help of preaccounting software.

Lack of urgency might be hindering you if...



Tasks are repeatedly being pushed as late as possible — either by the employee, the accountant, or both.

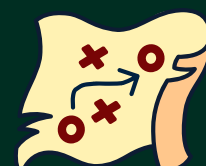


Your process lacks standard check-ins that ensure employees are staying on top of their preaccounting tasks throughout the month.



There’s a significant spike in hours or overtime during the end of the month.

Solve this inefficiency by...



Creating and enforcing timeline expectations with your employees.



Centralizing ongoing receipt collection.



Finding software that can automate this timeline to reduce staff hours spent checking paperwork for accuracy.

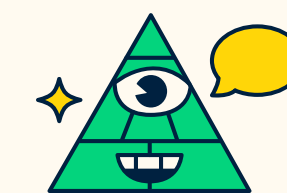
2. Lack of urgency

If you're overwhelmed by tasks that have been pushed or overlooked during the last few days of the month, it's time to reevaluate your process.

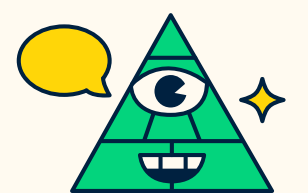
First and foremost, establish clear timelines with your employees. Let them know not only when you need things from them but why — helping them understand that timely submissions directly impact the efficiency of the whole financial process and, ultimately, their own bottom line. Occasionally, getting this paperwork in on time is beneficial to them as well; for example, turning in receipts early or on time means they get reimbursed faster for out-of-pocket expenses.

It's also helpful to establish a workflow that allows you to collect information continuously in a central location over longer periods of time instead of having employees "turn in" receipts or other preaccounting paperwork at the end of the month. This shift in mindset and process will ease everyone's workload and stress.

Lastly, consider implementing technology that can help reduce time spent checking paperwork via automation. It's invaluable to your business because it helps you stay on top of things every day, not just at the end of the month.



Expensify Pro-Tip:



WE THINK THE BEST PRACTICE IS TO CREATE A HABIT OF REPORTING AND COLLECTING DOCUMENTS AND DATA AS THEY'RE RECEIVED, RATHER THAN HAVING EMPLOYEES WAIT UNTIL THE LAST MINUTE TO TURN THEM IN.

3. Absence of accountability

Preaccounting can sometimes feel like a group project — everyone assumes someone else is going to do the work.

The accountant typically takes the blame when it's overlooked. Though the expectation is that employees will send in receipts and the accountant will then process them, employees are only human — so this doesn't always happen, and if it does, it doesn't always happen on time.

In reality, since the accountant's work depends on these documents, they end up having to ensure everything is in order. This lack of clear responsibility means more challenges and work for the accountant in the long run.

Absence of accountability might be *hindering you if...*



“Whose job is this?” is a common phrase at your company.

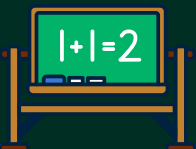


There are frequent bottlenecks in your workflow that can be traced back to mixed-up roles and expectations.



At the end of the month, you're always scrambling to reconcile your employees' paperwork.

Solve this inefficiency *by...*



Designing a workflow process that outlines a clear set of expectations for each person involved.



Specifying how each person can successfully carry out their tasks and call out each individual's responsibilities.



Using software to auto-sort and code expenses. Ideally, this software can integrate with your accounting software.

3. Absence of accountability

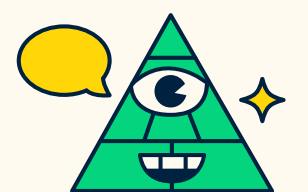
An absence of accountability in the preaccounting process isn't just a hiccup — it can be a significant roadblock for business efficiency. When everyone's pointing fingers and no one's taking charge, chaos ensues.

To ensure everyone's on the same page, start by designing a detailed workflow that paints a clear picture of what's expected from each player in the game, every step of the way. Don't just tell them what to do — guide them on how to do it, making their role in the process indisputable and specific. And as always, technology is your friend. Those time-consuming tasks become much more manageable with software that auto-sorts and codes expenses.

At the end of the day, investing in preaccounting software doesn't just bring order; it brings harmony — ensuring everyone can whistle while they work.



Expensify Pro-Tip:



HOLD PEOPLE IN THE PROCESS ACCOUNTABLE BY EXPLAINING IN EXPLICIT DETAIL THEIR ROLES IN MAKING THE NEW SYSTEM A SUCCESS AND SHOWING HOW THEIR ROLE IMPACTS OTHERS IN THIS WORKFLOW.

4. Insufficient motivation

Imagine doing a task and the only “reward” is...another task. Without some prep, preaccounting tasks like expense reporting end up at the bottom of the to-do list, and delays become the norm.

Since there’s no reward for completing paperwork promptly, that process often gets pushed to the back burner, creating more work for both the person incurring expenses and the accountant handling them. And since those spending the money often wait months for reimbursement, they’re not motivated to submit their reports early, making it an inefficient — and tiresome — system for everyone involved.

Insufficient motivation might be *hindering* you if...



Employees keep pushing preaccounting to the “later” pile.



Accountants are starved for the info they need to get their jobs done.



Whispers of “It takes ages to get reimbursed, so what’s the rush either way?” circulate among employees.

Solve this inefficiency by...



Articulate to employees the direct advantages of being on time, including how it benefits their bottom line.



Incentivize quick submissions with timely review and reimbursements.



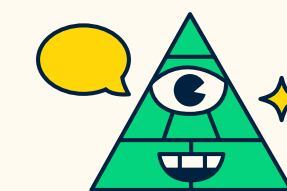
Implement a reward system for employees who consistently meet or beat submission deadlines.

4. Insufficient motivation

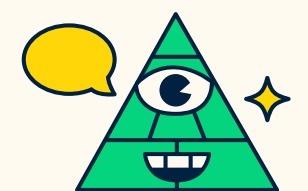
Insufficient motivation can be a silent drain on the efficiency and productivity of any business. When tasks become tedious, as we've noted, they're often pushed to the bottom of the to-do list. But what if we flipped the script?

To incentivize urgency, start by communicating the direct advantages of punctuality to employees: faster submission means quicker reviews and reimbursements. Speaking of reimbursements, it can help if you make them enticing. Reward prompt submissions not just with a timely review but also with expedited paybacks.

To take motivation up a notch, implement a system that recognizes and celebrates those clients who consistently meet or even beat submission deadlines with tangible incentives like visible recognition, small gifts, or even positive feedback during compensation reviews. By making these tasks rewarding, you're setting the stage for a punctual and efficient preaccounting process.



Expensify Pro-Tip:



LEVERAGING TECHNOLOGY CAN PLAY A PIVOTAL ROLE IN ADDRESSING INEFFICIENCIES. CONSIDER ADOPTING AUTOMATED REMINDER SYSTEMS THAT PROMPT EMPLOYEES ABOUT UPCOMING DEADLINES. THIS GENTLE NUDGE, COUPLED WITH INCENTIVES, CAN DRASTICALLY IMPROVE TIMELY SUBMISSIONS.

Is *preaccounting* worth it?



Preaccounting pays

While preaccounting might feel inconsequential or unimportant, ignoring this process can be costly for your business — in terms of both missed opportunities and actual money lost.

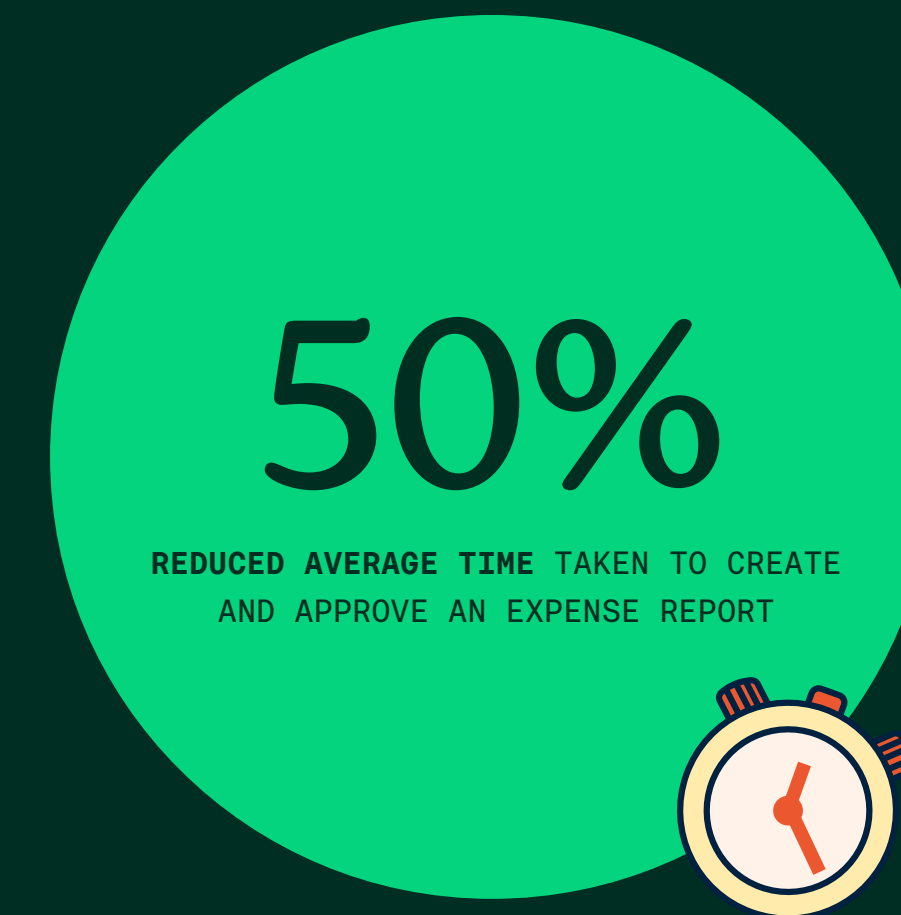
A compelling illustration of this can be found in a study conducted by Forrester. When a Business Process Outsourcing (BPO) firm integrated Expensify into their clients' preaccounting workflow, they didn't just choose it for its user-friendly interface. The app's automation features drastically transformed their operations, resulting in a remarkable net ROI surge of **598%**.³

The figures speak for themselves. By addressing and rectifying these inefficiencies, organizations stand to save and propel their financial health to new heights. Take a look at the ways that preaccounting can help your business financially thrive:

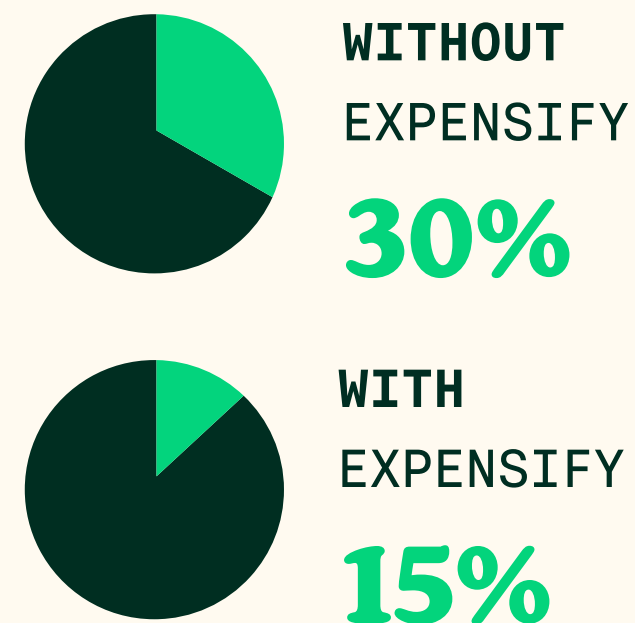


Preaccounting services save time

In the study by Forrester, it was evident that preaccounting services significantly slashed processing times. Specifically, the BPO firm experienced a 50% reduction in the average time taken to create and approve an expense report.



Accountant's time commitment in managing & reconciling client expenses



Preaccounting services increase productivity

The Forrester study also highlighted marked productivity gains. With Expensify's automation features, the BPO firm saw a 50% boost in productivity. Before Expensify, managing and reconciling client expenses consumed 30% of an accountant's time. However, with Expensify, this time commitment was cut in half, reducing to 15%.

Preaccounting services increase ROI

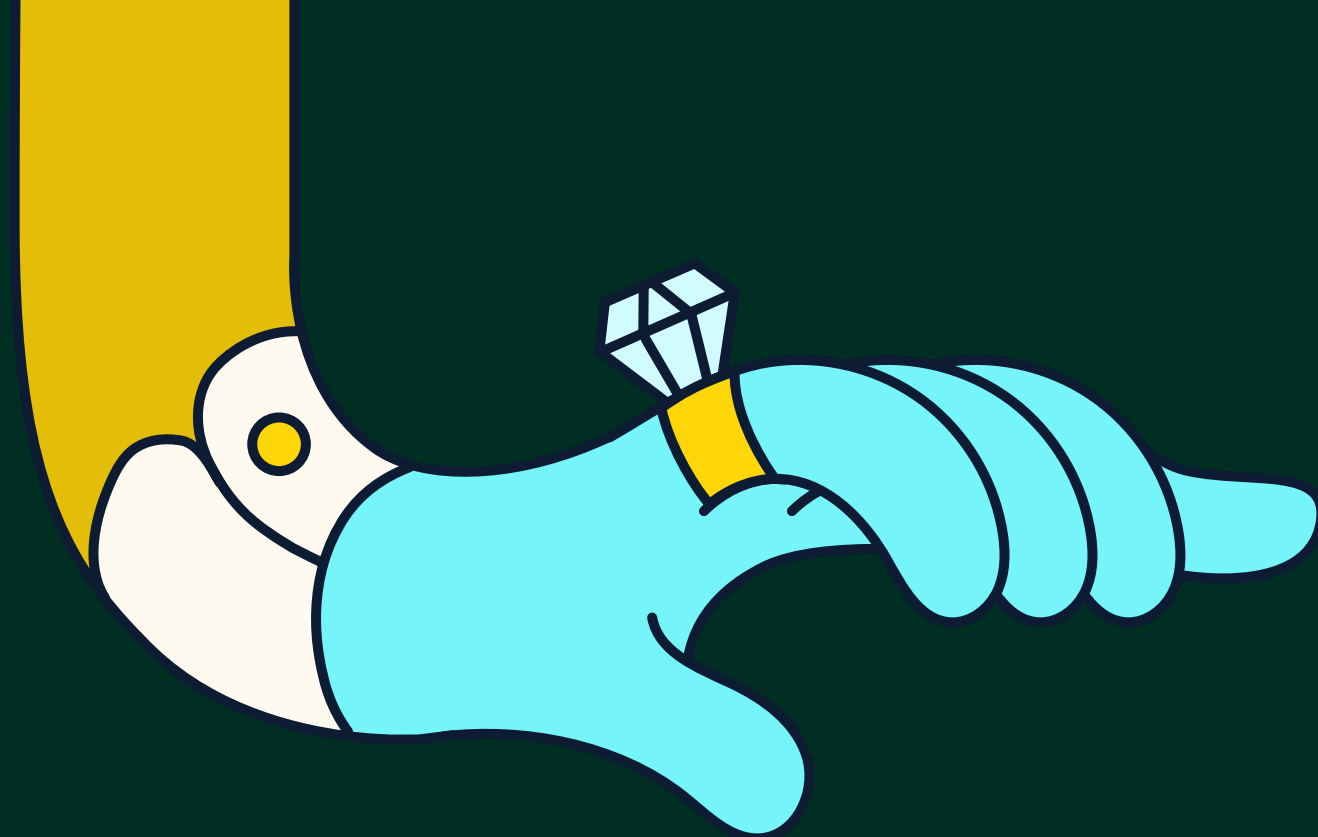
Financially, the adoption of an automated expense management tool proved lucrative for the BPO firm in the Forrester study. The time and cost savings alone translated to a whopping **598%** ROI.

Such a case underscores the pivotal role of preaccounting in enhancing returns and streamlining operations. By adopting a proactive approach to these processes, businesses can transform potential bottlenecks into efficient workflows, resulting in more profitable business operations for years to come.



Ready to make *preaccounting* easier?





Expensify

*takes the pain out of
preaccounting*



If your employees are painstakingly filing expense claims using Excel spreadsheets or, even more archaically, with paper and pen, one thing is certain: you're wasting valuable time.

The solution?

An automated, streamlined preaccounting system.

In today's fast-paced world, we're all about apps that make life easier, especially when they sync effortlessly with our cloud systems. Expensify does just that and more; it's a game-changer designed to knock out those old-school preaccounting headaches. That way, you save time and money — and everyone's in a better mood at work.

“Expensify has cut down our AMEX reconciliation time astronomically. What used to take three or four days to process now only takes two to three hours!” Comments Denys Altman, Accounts Payable/Accounts Receivable at Philz Coffee. “Our employees are able to process their own reconciliation reports, which gives our accounting department valuable time back in their days to work on other tasks.”

Mark Stricker, a partner from the esteemed Top 100 accounting firm Wipfli, emphasizes the transformative power of transitioning to automated preaccounting systems like Expensify. Sharing insights from his experience, Stricker highlights the palpable relief clients feel when introduced to Expensify. He recalls, “When we started discussing pain points with clients, expense reports frequently came up. Introducing them to Expensify was our answer to this challenge.”

The reward? Businesses reclaiming hours previously lost to manual preaccounting processes were now channeled into growth and productivity.

Stricker aptly points out, “If you come in and help a business owner and their accounting team save hours of time that they can use to work on their business, that’s huge. If we don’t guide them towards such innovations, rest assured, someone else will.” ⁴



Endnotes

1. Barrett, David. “Preaccounting: The Job We All Hate But Must Do.” Expensify Blog, 9 June 2017, <https://blog.expensify.com/2017/06/09/preaccounting-the-job-we-all-hate-but-must-do/>. Accessed 1 September 2023
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About the author



Expensify is a payments superapp that helps individuals and businesses around the world simplify the way they manage money. More than 12 million people use Expensify's free features, which include corporate cards, expense tracking, next-day reimbursement, invoicing, bill pay, travel booking, and chat in one app. All free. Whether you own a small business, manage a team, or close the books for your clients, Expensify makes it easy so you have more time to focus on what really matters.

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Expensify

