Quick Topic - Methods for Reimbursing Employee Expenses

Title: **Methods for Reimbursing Employee Expenses**

Brief description: The content below outlines methods for reimbursing employee expenses.

What's covered in this document:

- Overview
- Reimbursements Through Payroll
- Reimbursements Through Payroll - With Vendor Creation
- Reimbursements by ACH
- Reimbursements by Check
- Additional Information

Overview

After employees have submitted their Expense Reports, employers can use Unanet to process the reimbursements in three ways:

1. Reimbursements through Payroll.
2. Reimbursements by ACH.
3. Reimbursements by Check.

The following steps must be followed for all reimbursement methods:

1. All Expense Report approvals must be completed so that the Expense Reports can be LOCKED or EXTRACTED.
2. Once the Expense Reports are in a LOCKED or EXTRACTED status, an Expense Report Cost Post must occur to send the expenses and their related liabilities to the General Ledger.
   a. The Project/Expense Type mapping will direct where the expense or debit will go on the General Ledger.
   b. The Posting Group will direct where the liability or credit side of the transaction will go. It is at this point that the reimbursement methods begin to vary (see details below).

Reimbursements Through Payroll

To process reimbursements through payroll, no further setup is required in the employee profile. The focus is on reconciling the account which records the reimbursable amount.

1. The liability account is assigned in the Posting Group:

2. The reimbursement amounts may now be added to the payroll file. If the third-party payroll provider can accept a *.csv* upload, Unanet's Expense Export may be configured to match the required format.
3. After the third-party payroll provider has processed the payroll file, it will provide a payroll register. One of the totals provided on the register should be non-taxable employee reimbursements. This total will debit the liability account, which was credited in the previous step.
4. Enter the payroll reconciliation through either a Vendor Payment or Journal Entry, and confirm the ending balance in the liability account. Any outstanding balance should be reconciled to unpaid Expense Reports.

Reimbursements Through Payroll - With Vendor Creation

This method has a few extra steps but has the following advantages:

- Expense Status Report shows as "Paid."
- You can see outstanding items through the AP Aging Report.

This method utilizes payroll of a Vendor Invoice through an Expense Report. It is as if you are going to cut a check but instead send to payroll. The check is posted but never printed/cut.

INITIAL SETUP

- When setting up a new employee's vendor organization, preface their vendor organization code with "E_" for easy grouping in lists.
- When setting up a new employee's vendor organization, the vendor organization name should match the person's name in the payroll system.
- When establishing the vendor profile for an employee's vendor organization, you may need to map certain fields to the payroll system. For example, you may want to record the person's payroll person code here, which would be used in a field like the payroll system *Key* field in the export screenshot below.

REGULAR PROCESSING

- Employees will enter Expense Reports into Unanet, selecting the Employee payment method for out-of-pocket expenses.
- When Expense Reports are fully approved, create and post Vendor Invoices for the reimbursable items on these Expense Reports (**Financials > Accounts Payable > Create Vendor Invoices from Expense Reports**)
    - The Vendor Invoice will debit an account like 20.03.05 - Expense Report Liability and credit an account like 20.03.01 - Accounts Payable.

- Record vendor payments.
    - When running payroll, create a bulk vendor payment in Unanet (**Financials > Accounts Payable > Bulk Vendor Payment Creation**) for these expenses using the Payroll bank account.
    - Filter the organization code for "e" (employee) vendors only.
    - The vendor payment will debit an account like 20.03.01 - Accounts Payable and credit an account like 10.01.01 - Operating Bank Account.

At this point, the expense reports will show up as Paid in your Unanet system:

Expense Status Report

Date Range: 1/1/2018 - 12/31/2018
Including Expenses using Expense Report Completion Date within range

Expense Report

	PERSON	EXPENSE #	EXPENSE	REIMBURSE	STATUS		POST DATE	VENDOR INVOICE			PENDING APPROVALS			VOIDING / VOIDED BY
								DOCUMENT #	DUE DATE	PAYMENT STATUS	MANAGER	PROJ APPR	CUSTOMER	
🔍 ✉	Controller, Frank T. (fcontroller)	130	$300.00	$300.00	EXTRACTED		1/31/2018 12:45 PM	12/31/2017	0000000280	1/30/2018	Paid			

Expense Report Details

Frank T. Controller (fcontroller)

Status: EXTRACTED
Expense #: 130

Accounting (FN-ACCOUNTING)
Purpose: Training
Location: San Diego

#	PROJECT	TASK	ALLOCATION	DEFAULT PROJECT TYPE
1.	CUSTOMER-1 10.10.7011.102 (CP)	1. Project Support	100%	BILLABLE

	DATE	EXPENSE TYPE	AMOUNT (USD)	PAYMENT METHOD	PROJECT TYPE	COMMENTS
1.	11/15/2017	Rental Car	$300.00	*Employee Paid	BILLABLE	Vendor: Budget Receipt Provided
		Total Expenses:	$300.00	USD		
		(-) Non Reimbursable:	$0.00	USD		
		(-) Advances:	$0.00	USD		
		Cash Returned:	$0.00	USD		
		Total Reimbursement:	**$300.00**	**USD**		

- Export the payments and import them into your third-party payroll system.
    - Run the export at **Admin > Export** (sample export from Unanet to a payroll system below).
- The payroll journal entry will not include any dollar amounts related to expenses that had payments recorded.

Admin Export – Edit Payroll Export

Summary	**Fields**	Order

		#	NAME	VALUE
Header Record				
✏ 🗑 ↕ ➕		1	Header	AUTOHEADER ("DETAIL")
Detail Record				
✏ 🗑 ↕ ➕		1	Co Code	"VariQ"
✏ 🗑 ↕ ➕		2	Batch ID	TIME_PERIOD_DATE_END
✏ 🗑 ↕ ➕		3	File #	IF (PERSON_CLASSIFICATION = "X") { !IGNORERECORD! } ELSE { PERSON_PERSON_CODE }
✏ 🗑 ↕ ➕		4	Special Action	"X"
✏ 🗑 ↕ ➕		5	Exempt?	PERSON_CLASSIFICATION

Reimbursements by ACH

Another method of reimbursing employees outside of payroll is by direct deposit, or ACH. In this case, additional Employee and Vendor Organization setup is required.

1. A Vendor Organization should be created for each employee eligible for expense reimbursement. A naming convention is often used to make searching or data entry easier. In this example, employee vendors are distinguished from trade vendors or subcontractors with an "E_" prefix.

2. A Vendor Profile is also set up in order to provide employee bank information. Vendor Profile User-Defined Fields (UDFs) are used to enter this information. Vendor Profiles are what allow Organizations to generate Accounts Payable items. In other words, a Vendor Invoice cannot be generated unless there is a Vendor Profile.

   The UDFs are enabled by going to **Admin > Setup > User Defined Fields > Vendor Profile**. Once the UDFs are enabled, the *Other* tab will appear on the Vendor Profile where banking information is entered.

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3. The Vendor Organization and Vendor Profile are linked to the Employee Profile on the *Expense* tab. This is link between the Expense Report and the Vendor Invoice it creates.

4. Once the Vendor Organization and Vendor Profile are set up, and the Employee Profile mapping is done, the *Expense Report Cost Post* can occur successfully.
5. Vendor Invoices can then be created from Expense Reports. (**Financials > Accounts Payable > Create Vendor Invoices from Expense Reports**)
6. At this point, the Expense Report is not yet flagged as a Vendor Invoice because it hasn't been posted yet. The Vendor Invoice can still be deleted and Step 5 can be repeated.
7. Posting the Vendor Invoice will debit the original liability account identified in the Posting Group and then credit an Accounts Payable liability account.
    a. These accounts can either be the same liability account or different liability accounts.
    b. For example, the liability side of the *Expense Report Cost Post* could go to an Employee Payable GL account. When the Vendor Invoice post occurs, it can debit that Employee Payable GL account and credit the Accounts Payable GL account.
    c. At this point, the Expense Report is flagged as a Vendor Invoice, and the Expense Report will not be picked up on a subsequent *Create Vendor Invoices from Expense Reports* process even if the Vendor Invoice is voided.
8. The Vendor Invoice is now available for payment through *Bulk Vendor Payment Creation*. Vendor Invoices are completed by the Post function in order for the Vendor Invoices to appear in the Vendor Payments Paid Documents screen.
9. Create the payment utilizing the ACH bank account and ACH payment method.
10. Generate the checks to create non-negotiable payment advices for distribution to payees.
11. Run a batch export to create the ACH file to upload to the bank for processing. The export template for the ACH Vendor Payments is configured following the field definitions provided by the banking institution.
12. Once the batch has been approved, complete the payment process by confirming the check print process.
13. Note: The Expense Status Report will now show the Payment Status.

Reimbursements by Check

Additional setup is also required if employers may opt to reimburse employees by paper check.

1. Follow *Reimbursements by ACH* steps above.
2. Create the payment utilizing the System Check payment method.
3. Generate and print the checks. Remember to save the check generation PDF for the purpose of having a copy of the file. This is the only opportunity to see the "printed" check.
4. Verify all checks have printed correctly and complete the process by confirming all checks are correct.
5. Note: The Expense Status Report will now show the Payment Status.

Additional Information

Help Docs - Vendor Invoices

Help Docs - Vendor Payments

Help Docs - Bulk Vendor Payment Creation

KC - AP Admin Guide - Accounts Payable Process Flows

KC - AP Admin Guide - Vendor Creation

KC - AP Admin Guide - Create Vendor Invoice from Expense Report

KC - AP Admin Guide - Submit and Post Vendor Invoice

KC - AP Admin Guide - Bulk Vendor Payment Creation

KC - AP Admin Guide - Print Checks

KC - Quick Topic - Steps for Processing Payments via ACH