

 Oversight

SPEND INSIGHTS

The Impact of COVID-19 on
Employee Spend & Risk

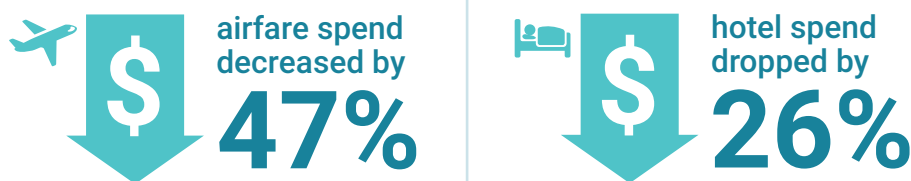


Overview

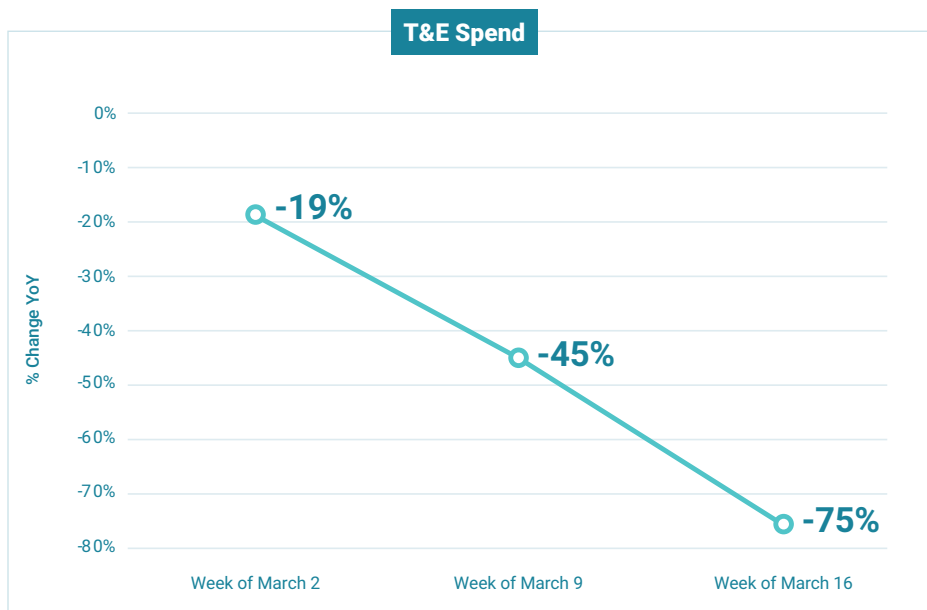
In a month's time, most businesses have altered operations to adapt to challenges presented by COVID-19. At Oversight, we've been mining data across industries and assessing the impact to help support your spend management efforts. We've summarized our findings in this report, and we'll be providing more spend insights in the weeks ahead as we all work to navigate the now and prepare for the next normal.

The Swift Impact on Card Spend

When travel restrictions were announced, spend on airfare and hotels was quickly impacted. Our data shows the downward trend started abruptly the week of March 2, which closely coincides with the first reported cases of COVID-19 in the U.S. The decline isn't limited to just travel-related expenditures; however, it's reflected across T&E spend categories.



Between February 24-March 2, airfare spend decreased by 47% and hotel spend dropped 26%. Overall T&E Spend dropped after March 2.



A Shift in Spend Activity

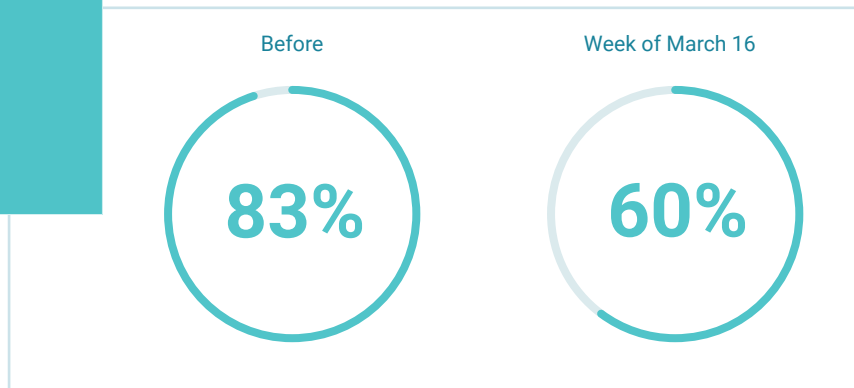
Airline, hotel and restaurant expenditures have historically accounted for the greatest portion of T&E spend. However, disruption from COVID-19 has altered this normal and contributed to more purchase activity than expected in two categories we deem high risk – mail/phone order and miscellaneous stores.

Top 5 Spend Categories

Average weekly spend first six weeks of 2020

1. Airlines
2. Hotels
3. Restaurants
4. Transportation
5. Business Services

Before the impact of COVID-19, these top 5 categories accounted for 83% of T&E spend. As of the week of March 16, spend had shifted. These categories accounted for just 60% of T&E spend.

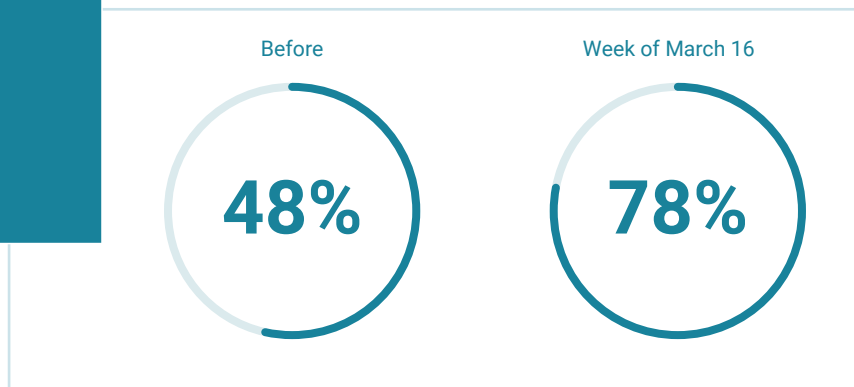


Top 5 Spend Categories

Week of March 16

1. Hotels
2. Mail/Phone Order
3. Restaurants
4. Business Services
5. Misc. Stores

78% of T&E spend is attributed to the new top 5. Previously, these categories accounted for just 48% of T&E spend.

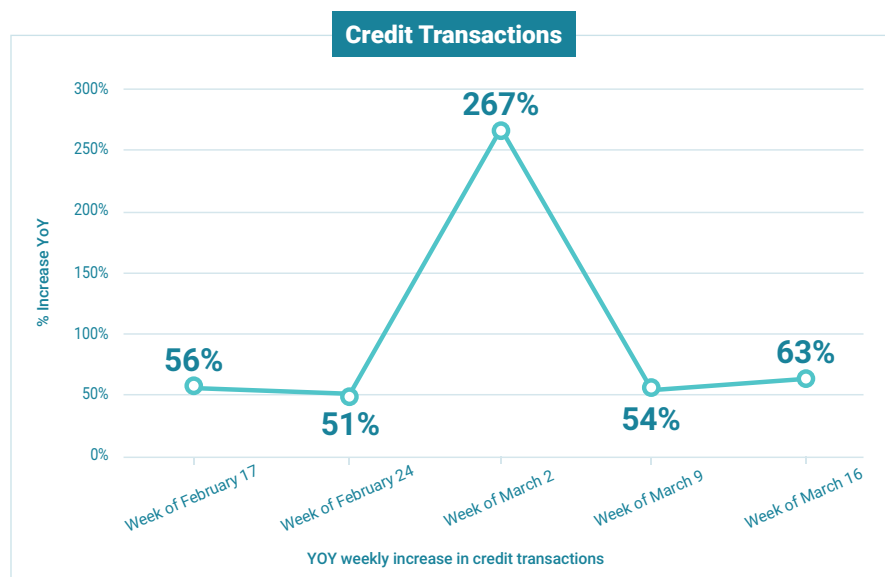


Risk Areas to Focus on Now

The types of spend risk you may encounter now probably aren't unfamiliar – they're just more prominent than ever. Based on spend shifts, travel restrictions and stay-at-home advisories, these are areas where you may experience heightened risk.

Credit Transactions

Airfare and hotel cancellations have triggered an exceptional number of credits. Even at the best of times, credits can be difficult to reconcile and are an exposure point for financial loss or misappropriation of funds. But now, organizations are dealing with an unprecedented number of credit transactions. We compared credits for the same weeks in 2019 and 2020 to highlight the increased risk.

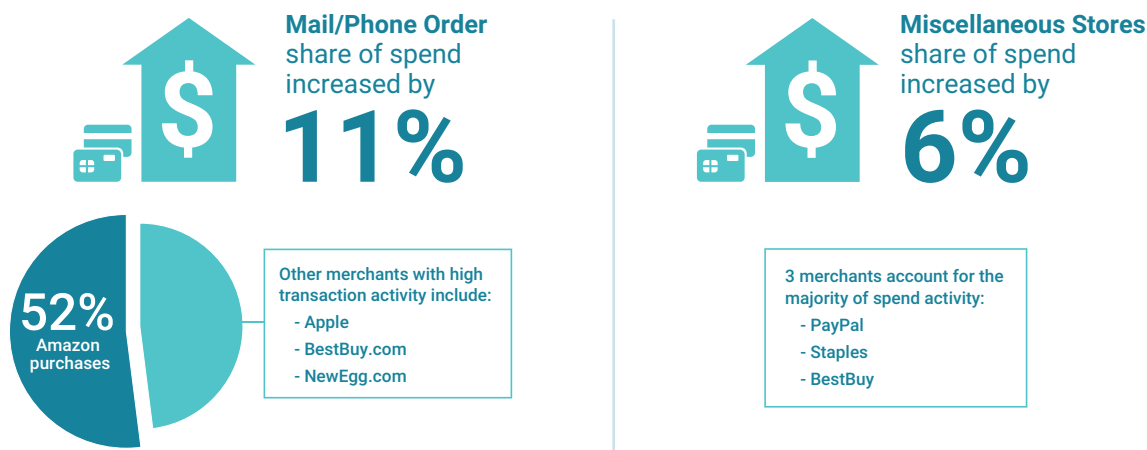


Suggested Actions:

- Remind employees of your company policy regarding credits for airfare, lodging, etc.
- If you have automated transaction monitoring in place, credit and corresponding debits will be identified for you. Assess your reconciliation workflow and communicate expectations about prioritizing the resolution of credits.
- If you rely on manual processes, plan to devote extra resources to reconcile credits and debits over the next couple of months to mitigate this financial risk.

Misuse

The potential for misuse of funds has risen given continued spend in the high-risk categories of mail/phone order and miscellaneous stores. Merchants included in these spend categories often sell a wide array of items, some of which could be purchased for personal use or resold for personal gain.



Suggested Actions:

- Ensure you're monitoring spend data for suspicious keywords and evaluate your list for completeness. For example, PayPal should be on your list because visibility into these transactions is often limited.
- Review your list of high-risk merchant category codes and make needed updates.
- Alert your review/audit team to rising spend in these risky categories.
- Evaluate spend in these high-risk categories to determine if you need new policies or should make policy revisions.
- Communicate spend policies to employees, including the organization's preferred spend channels and spend thresholds.

Despite lower card spend, exposure to risk remains. Adapting to the challenges introduced by COVID-19 requires continuous monitoring and analysis of spend activity. Armed with greater insight, you're better positioned to identify risk early, shift focus to high-risk activity, and put stronger controls in place.

Agility is key in this time of uncertainty. Oversight is here to help you determine the best path forward. Learn more about improving your visibility into spend risk by clicking the link below. Or, if you're a current customer, reach out to your Oversight client success manager for support.

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