



SPEND INSIGHTS

Spend Management & COVID-19:
Adapting Policies and Processes
to Manage Risk

Overview

Given the economic toll of COVID-19, many organizations are closely scrutinizing spend and working to control costs. Through data analysis and customer conversations, we've uncovered areas of heightened spend risk and gained perspective on how organizations are adapting policies and processes to manage spend in the midst of this crisis. This month's Spend Insights report summarizes our findings to provide a current state look at T&E spend and related risks, as well as suggested actions to help finance teams confront new and persistent challenges.

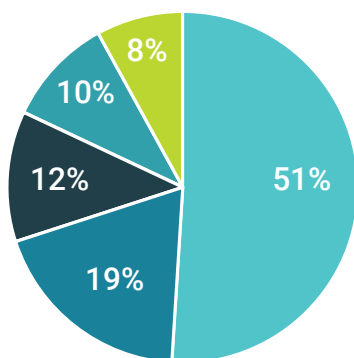
Top 5 Spend Categories

In our [April report](#), we revealed how the pandemic swiftly impacted T&E expenditures starting in early March. Airline and transportation activity plummeted, but purchase activity was higher than expected in the high-risk categories of mail/phone orders and miscellaneous stores, which includes merchants such as Amazon, Best Buy and Apple. This holds true based on our evaluation of April data as well. The top 5 spend categories remained the same, but the share of spend shifted among this group.

Most notably, hotel spend declined in April as travel restrictions were in effect for the entire month. Additionally, purchase activity in the business services and restaurants categories increased, signifying a shift that has traditionally brought risk of misuse along with it.

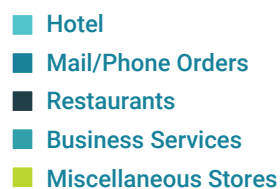
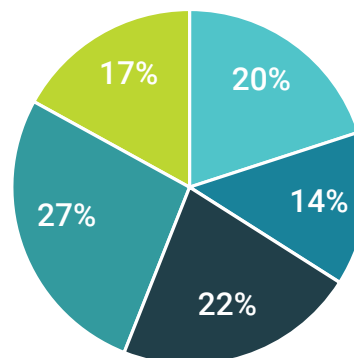
Top 5 Spend Categories

March 2020



Top 5 Spend Categories

APRIL 2020



Spend Risk in the Top 5

Three key risks associated with the top 5 spend categories are driven primarily by measures taken to engage with customers as well as support the needs of remote workers.

Creative Customer Engagement

Sales and other client-facing teams have devised creative measures to stay top-of-mind with customers during the pandemic. Spend on meal delivery services, such as DoorDash, as well as gift cards for everything from wine.com to Grubhub, are popular engagement tactics since face-to-face meetings aren't feasible. These types of purchases are challenging for finance teams who must assess whether such expenditures comply with policies – policies that may have gaps given these unprecedented circumstances. With limited visibility into the recipient of gift cards and meal deliveries, it's not always possible to determine if purchases are for legitimate business purposes or for personal use.

Now that many people are working from home, organizations are also redefining policies to eliminate unnecessary meal expenditures for individuals and internal meetings. Excessive spend on a particular customer also remains a concern as many industries, such as healthcare, have stringent regulations regarding entertainment and gifts.

37% 

of purchases in the restaurant spend category were attributed to meal delivery services.

\$200 

is the average gift card amount. Starbucks and Uber Eats gift cards are popular.

Suggested Actions:

- Evaluate meal policies to define and communicate what is an allowable expense when employees are working from home.
- Assess spend on meals and gift cards by employee to determine if new spend thresholds may be warranted under the current circumstances.
- With advanced analytics, it's possible to identify excessive spending by an employee on items such as meals and gift cards. Oversight's solution detects patterns of misuse to identify repeat offenders.
- Advanced analytics will also help identify excessive spend on a particular customer to ensure compliance to any industry-specific regulations for gift-giving and entertainment. Oversight's solution detects patterns in expense data to uncover excessive spend on business guests.

Second Wave of Work from Home Expenses

Many employees transitioned to remote work in March, expecting they'd be back in the office within a few weeks. Approximately eight weeks later, however, work from home arrangements are still commonplace. Some organizations have also announced new policies that permit employees to work from home indefinitely. These developments have potentially sparked a second wave of purchase activity for office supplies and equipment as evidenced by the continued spend in the categories of miscellaneous stores and mail/phone orders, which include online transactions.



Amazon purchases accounted for

28%
of all mail/phone orders spend

11%
of all miscellaneous store spend

Merchants included in the mail/phone orders and miscellaneous stores categories often sell a wide array of items, some of which could be purchased for personal use or resold for personal gain. In fact, we've learned from our customers that they've uncovered employee attempts to expense items such as big screen TVs and soundbars and detected extreme amounts for home office expenditures — as much as \$7,000. With purchase activity remaining higher than expected in these two categories, continued scrutiny of spend is advised.

Suggested Actions:

- Inform review/audit teams that purchase activity continues to be higher than expected in the categories of miscellaneous stores and mail/phone orders.
- Continue to review and evaluate transactions to identify suspicious keywords that should be monitored. To help, Oversight offers customers pre-built lists of suspicious keywords and provides the option to add others. Transactions with these keywords are automatically flagged for review in Oversight.
- Look for any policy gaps that should be addressed to erase uncertainty about allowable expenses.
- Communicate spend policies to employees, including the organization's preferred spend channels and spend thresholds for remote work supplies and equipment needs.

Rise in Third-party Payments

The pandemic has driven more online shopping activity. The Associated Press reported that e-commerce transactions in most retail sectors saw a 74% increase in March compared to the same period last year. Because online transactions are often processed using third-party payment platforms, such as PayPal and Stripe, organizations can be exposed to greater spend risk due to limited visibility into transaction data, including the vendor. This lack of transparency has led some organizations to restrict transactions processed through certain third-party payment platforms altogether.

Third-party payments increased by



43%

YOY in April



28%

increase over the
average for Q1 2020



In the Business Services spend category,
transactions for as much as

\$22k

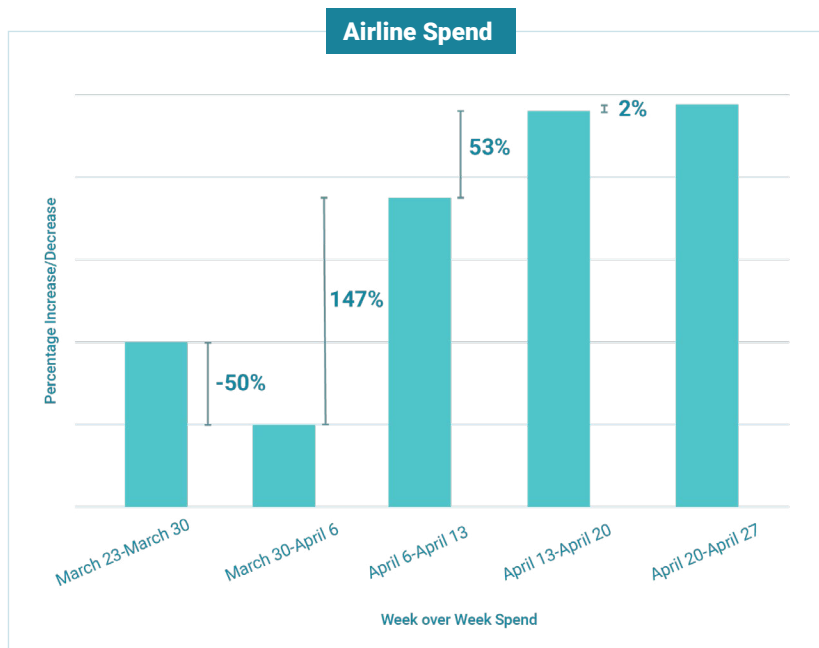
were processed through third-party
payment platforms.

Suggested Actions:

- Evaluate your suspicious keyword lists to ensure third-party payment processors, i.e. PayPal, Stripe, etc. are included.
- Restrict transaction amounts that can be processed through third-party payment platforms when possible.
- Inform employees of your policy regarding purchases through third-party payment channels and any restrictions you have in place to prohibit the processing of these transactions.

Airline Spend Update

Forbes reported that on May 1 people passing through TSA security checkpoints in the U.S. reached its highest number since late March. While passenger numbers are still a fraction of pre-pandemic levels, our data shows an uptick in domestic airline purchase activity the last three weeks of April. Because airline spend is a harbinger of travel activity, this is a very early indicator that T&E spend could be rebounding.



With numerous flight cancellations in March, employees most likely have airline credits that should be applied to future travel. Our data shows that airlines accounted for 56% of dollars credited in March and April.

Suggested Actions:

- Distribute a policy reminder about using outstanding airline credits for flight cancellations.
- Consider flagging and evaluating each airline purchase to uncover outstanding credits while transaction volume is at a manageable level.
- If you have automated transaction monitoring, be sure to leverage your reconciliation workflow to help manage credits.

A New Approach to Risk

Greater scrutiny of employee spend during the pandemic has led to more collaboration among different teams within the finance function. Through customer conversations, we've learned that operations teams are engaging with their counterparts in forecasting, tax and audit to help steer their organizations through this crisis. This is an emerging best practice that expedites the identification and resolution of spend risk and also helps improve compliance through better policy administration. If you would like to learn more, we discuss the benefits of greater collaboration among finance teams in our eBook, ["Keys to Adopting an Integrated Risk Strategy."](#)

What's Next

In this crisis situation, it's difficult to predict the challenges lie ahead and the risks that may develop as a result. At Oversight, we're closely monitoring our data and market conditions to help you anticipate what's to come. For our June report, we'll be conducting a deeper analysis of out-of-pocket spend as our early findings show a 17% month-over-month increase from April to May. We'll also be evaluating airline transactions to see if the uptick in purchase activity continues. In the meantime, learn more about improving your visibility into spend risk. Or, if you're a current Oversight customer, reach out to your client success manager for support.

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