Oversight Q1 2022 Spend Insights Report

A strategic look at Q1 spending to set the course for the balance of 2022

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As we come to the end of Q2, **organizations are challenged by economic headwinds**. We must reinforce financially impactful processes, procedures, and business practices to navigate the current and future turbulence that lies ahead for travel and expenses.

There are several factors potentially affecting employee spending. **Supply chain issues** may increase the need to use new vendors. **Overall cost of goods** is on the rise at the same time **business travel** is on the rise, and **cost of airfare** is increasing due to higher fuel costs. Our employers are trying to find a balance between bringing workers back into the office, having them work remotely, or a hybrid of the two.

With some workers returning to the office and others finding themselves back in the world of conferences and sales meetings, we will need to take a new look at past spending decisions to determine which costs helped move the business forward, and which were incurred unnecessarily. **A strategic look at Q1 2022 employee spending will help set the course for Q2 and beyond**.

The expense policy decisions we make today present both opportunity and risk. Analyzing trends in employee expenses can help us better manage spend, but examining the policies and procedures behind those expenses will help identify what rules are working and which ones are holding us back. Data gives us knowledge. **With more knowledge, we can all steer the future.**

Let’s dive in.

2022 Q1 Findings

Q1 2022 travel & expense spending increased as business travel ramped back up.

Overall spending increased 46% year over year; however, travel-specific spend (hotel, airfare, rental car, etc.) increased 149%. Pent-up demand began to propel travel this quarter, and employees are once again on the move for business.

From Q4 2021 to the end of Q1 2022, business travel grew slightly, which was more than expected by many. It is interesting to note that while airline and restaurant spend slightly increased, hotel spend decreased by 1.2% quarter over quarter. This may reflect day trips or that travelers are using non-traditional methods for lodging such as Air BnB.

Airline spend increased **8%** from Q4 2021 and **406%** YOY.

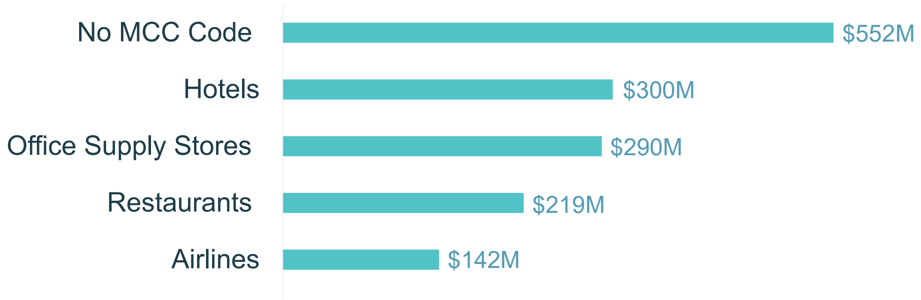
Hotel spend decreased **1.2%** from Q4 2021 and **176%** YOY.

Restaurant spend increased **2%** from Q4 2021 and **138%** YOY.

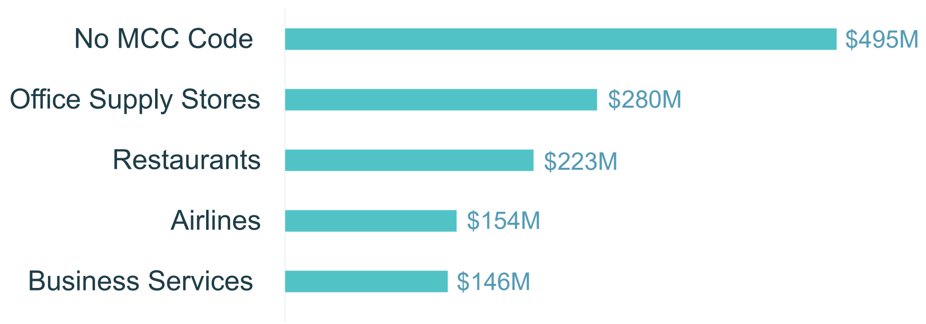
When corporate travel cards are available for employees and associates to use, out of pocket spend becomes a potential area of risk - employees may be too focused on earning rewards points or miles rather than making smart spend decisions that are in the best interest of the company. For this reason, non-corporate card spend (spend without a related MCC Code) is usually a top spend category, while it increased 12% year-over-year, we saw a 10% decrease over Q4 2021.

Continued remote and hybrid working continues to have an impact on office supply purchasing, with another increase of 13% from Q4 2021 to Q1 2022. We expect workers will continue to maintain or even improve their home office environment now that working from home is a permanent reality for so many. One key takeaway is that it will be necessary to communicate which purchases/expenses are appropriate and allowable for the remote/hybrid work environment.

Top Five Spend Categories in Q4 2021



Top Five Spend Categories in Q1 2022



What Next?

Looking ahead, we all know the **cost of airfare is rising** and will continue to do so with the increase in the cost of oil and load factors remaining high. The **average price for a sales lunch meeting**, or **for a single meal while traveling, is also expected to rise** due to continued supply chain issues and restaurant staffing challenges. A USDA March 2022 report confirms restaurant meal prices could rise between 5.5-6.5% in 2022.

"Returning to the road" will be the theme for 2022 for many business travelers. Getting back to old routines and seeing colleagues and customers in person once again is desired by many. You can make this transition easier for your team by revisiting your T&E policies to consider inflation, rising fuel prices, and the remote/hybrid work environment. This will result in fewer compliance violations down the line.

Policy Violations

Expense policy violations continue to increase. From Q4 2021 to Q1 2022, we saw **total violations increase by $14 million or 23%**. Part of this could be attributed to November and December expenses that were not submitted before the year-end, now being reflected in Q1. Additionally, **the increase in violations coincides with the overall rise in travel-related spending**.

While total spend between Q4 and Q1 increased by $426 million (22%) we saw only a slight increase in violations per dollar amount spent.

Q4 2021 Violation Amount

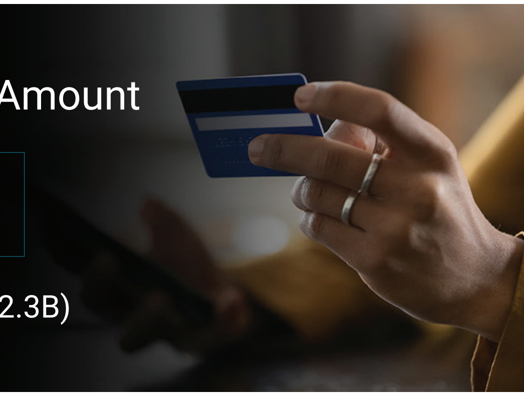
$43M

2.25% of total spend ($2.4B)

Q1 2022 Violation Amount

$77M

3% of total spend ($2.3B)



Let's look at where these violations come from. Consistent with 2021, and aligning with the top spend amount, one of the top spend violations in Q1 2022 was **No MCC code (spend with no related MCC code), with a violation rate of 4.95%.** Excessive out of pocket spend is always an area to be scrutinized because it poses a higher risk for non-compliant or fraudulent spend.

Violations related to retail store spend increased by 1.75% in Q1. This type of violation often indicates employees possibly utilizing their card for personal use. With supply chain issues, however, it could be a matter of purchasing supplies from wherever they are in stock (this is speculation on our part). **Business services spend violations also saw a 1% increase** quarter over quarter.

Each of these violations could be reduced with simple policy changes including forbidding the use of personal credit cards for business expenses, providing additional training to employees on allowable purchases, or by broadening the eligibility for corporate card or purchase card issuance.

Exceptions

Exceptions are **flagged transactions that require further investigation** to determine if they are justified and/or in policy.

When using the Oversight product, **your exception rate should decrease naturally over time** due to behavior changes resulting from increased communication with your employees.

With it's machine learning capabilities, the solution begins to understand how you handle exceptions, **no longer flagging those transactions that have not turned out to be true violations in the past**. However, if exception rates increase or remain flat for specific spend categories, this can be indicative of a gray area in your existing policy that may need to be reviewed and refined.

Oversight flagged $1.2 billion in exceptions in Q1 2022, **down 5% from Q4 2021**. Even with a slight Q1 increase in travel spend quarter over quarter, the exception rates for travel specific categories also decreased.

The increase of 13% for Missing Receipt Affidavit exceptions indicates more employees are not attaching their receipts, which could also mean they are trying to hide something. Likewise, **both Purchase Card Fraud Risk and Purchase Card Policy Misuse saw a 7% bump in exceptions**. These increases may identify additional coaching opportunities for employees who are not utilizing their cards as their employers intended.

To reduce the volume of exceptions, we recommend three things:

- First, **review your current Oversight parameters** to determine if any revisions are needed.
- Next, **review your T&E policies** for potential changes that may be needed to address inflation, travel behavior changes, and work from home needs.
- Finally, **be sure to advise employees** of any changes in your policy and remember, Oversight's machine learning is applying your actions to determine what will or won't be flagged in the future.

Where do we go from here?

Even in the face of rising COVID cases in some regions/countries, a new normal is emerging with the return of business travel. Companies will continue to bring in team members together for face-to-face meetings, many for the first time. We will see an increase in summer travel as people attend in-person business conferences once again. Although, according to a survey conducted in February 2022, Deloitte predicts corporate travel will not return to pre-pandemic levels for at least two years, others expect the time frame will be much faster.

As seen in Q1 2022, COVID related concerns will continue to become less of a barrier to travel. Airline fees and hotel prices are soaring, and hotels are scaling back amenities to save money. Rising prices for food, fuel, and consumer goods could dampen the return of corporate travel, but time will tell.

All business organizations should conduct a thorough review of their travel and spending policies, taking into consideration today's economic realities. All options should be on the table to temper the rising costs of travel, along with the desire to return to the road. Trade-offs will have to be made by everyone.

Reducing non-compliant spend will allow more business travel within the same budget. By ensuring your T&E policies are clear, specific, and realistic (given the current market conditions), and also conducting regular, company/organization-wide training on said policies (for existing and new team members) will ensure compliance.

Oversight

With **artificial intelligence**, Oversight's end-to-end spend audit platform digitally transforms how organizations monitor, analyze and mitigate their enterprise spend risk – across travel & expense, p-card and payables entries. Working across these disparate financial data sources, Oversight leverages patented and proven analytical techniques to automatically uncover potential fraud, misuse, and errors, as well as hidden risks and patterns that would lead to greater financial loss if left undetected. By identifying process breakdowns and making corrections early, Oversight helps create a culture of compliance, reducing out-of-policy spending by up to 70%, while maximizing audit efficiency and eliminating cash leakage.

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