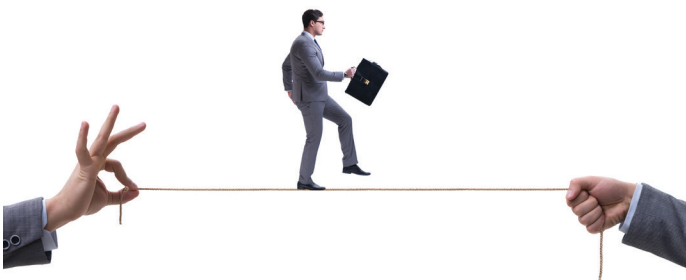# Expense Management & Transaction Monitoring:

THE PERFECT PAIRING FOR MITIGATING SPEND RISK

Most organizations have purchasing and travel policies in place to provide their employees with guidelines to follow when making purchases on behalf of the business. To record travel and/or other expenses (T&E), they make use of formal expense management platforms to track and manage employee expenses, in addition to making it easier for employees to book travel, purchase on behalf of the company, document expenses, and facilitate reimbursement.

Any well-designed spending program requires a delicate balance between flexibility and control. On one hand, employees need the flexibility to make purchases to get their jobs done, but on the other hand, the business needs to maintain active process controls so that opportunities for fraud, wasteful spend, and misuse of company credit cards are limited and discouraged.

Expense management systems have evolved over time. Minimal administration efforts are required to manage these easy-to-use platforms, which accounts for their high user adoption rates. Employees are now able to upload receipts by taking a picture rather than taping them down on a sheet of paper to scan or fax them to images. Expenses can be entered through mobile applications where managers can also review and approve them.

Why You Need Expense Monitoring

With these modern features, what else could you ask for in an expense management system? Even with their more flexible and efficient features, these platforms can't identify the risky spend that might be occurring right under your nose.
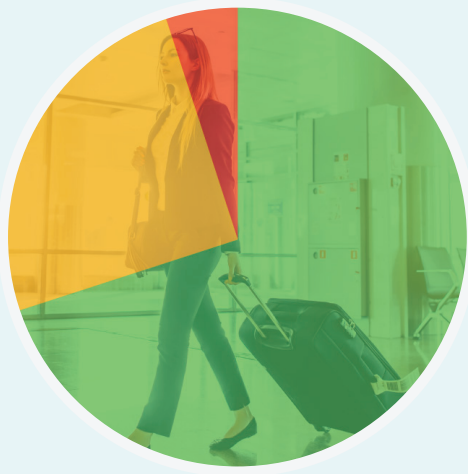
To compliment policies, many expense systems have configurable audit rules, spend thresholds, and receipt requirements to deter non-compliant spend. What they lack are the detective controls to specifically identify high-risk spend and patterns of behavior that could indicate something is awry.

Research has shown that only 5% of employees commit fraud, while 25% might push their spend limits, and 70% stay on the straight and narrow. Suffice it to say, non-compliant spending happens more than you think, and **no expense management system is complete without an automated process to mitigate the risks within employee travel and card spend**.

Effective expense management is as much about protecting those who comply with policy as it is about finding those who don't. To maintain a balance of control and flexibility, employers must ensure their policies do not punish the compliant 95% for the misdeeds of the other 5%.

So, what is the best way to identify which employees are behaving badly without having to manually review every single transaction? Traditional sample-based audits will only find issues within a specific data set, during a specific timeframe, which means you'll need something more to analyze 100% of employee expenses.

Focus Where it Matters

Humans make errors. Most of these mistakes are honest, but sometimes they are intentional.

Oversight data proves this point. Our research shows that 70% of employees comply with the policy and 25% slip on occation. It's the remaining 5% who contribute to 95% of high-risk spending.

The solution

Adding detective controls to an existing T&E platform allows businesses to identify non-compliant spending that might otherwise fall through the cracks. Allowing audit teams to focus their attention on the transactions with the highest risk creates efficiency and removes some of the burden from preventative controls such as expense policies and any manual approval process.

Pairing Oversight's Expense Monitoring solution with an existing expense management platform is a smart way to garner

insights into your spending quickly, without getting in the way of the reimbursement process. The web-based application examines 100% of your employees' expenses and credit card transactions by combining complex, predictive analytics with transaction analysis to identify root causes, trends, hidden risks, and underlying behaviors to better manage employee spend.

Oversight offers so much more than just data analysis. It comes with a built-in case management tool with features such as exception risk ranking and confidence prioritization, direct email communication, and case re-assignment. The solution maintains a constant audit trail to show every action taken on an exception from the time it was created until it is closed.

In addition to an exception workbench, Oversight offers powerful dashboards that provide statistical data, summaries, and other interesting facts for reporting purposes.

The Undeniable Results

For nearly 20 years, Oversight's Expense Management Solution has been successful in reducing expenditures by 2-5% of our clients' total travel budget. This savings is partially due to the elimination of duplicate expense submissions and the recovery of personal spend previously marked as business expenses. However, the primary reason for the reduction in expenses is the overall change in employee spend behavior.

Otherwise known as the Hawthorne Effect, it has been proven that people behave differently when they know they are being watched. Likewise, employees are deterred from wasteful and unnecessary spend when they know their expenses are being monitored.

Monitoring expense transactions after they have occurred (and over time) allows companies to utilize Oversight's advanced analytics to detect overall spending patterns and behaviors rather than focusing on reviewing one transaction at a time. Surprisingly, the results aren't always negative.

An inspiring real-life example, and an Oversight favorite to share, is about a customer who had a strict "no in-room movie reimbursement" policy during hotel stays. It wasn't until this client began analyzing travel spending trends that they discovered something interesting - travelers who watched in-room movies spent considerably less during their hotel stay than

those who did not. This realization led to a minor policy change, reduced hotel expenses, and happy travelers.

Why Oversight Expense Management is the Best Choice

Oversight's best practice technology makes it easier than ever for our customers to uncover wasteful spend, fraud and corruption, and policy compliance violations. With this knowledge, there are two questions you should ask yourself:

1. Why aren't you monitoring 100% of your transactions?

2. How much money are you leaving on the table by not employing an effective transaction monitoring technology to complement your expense management software?

Armed with complete visibility into your travel and expenses, you'll know exactly where to focus your risk mitigation efforts.

- **See it all.** Because you can't catch what you can't see. Oversight's Expense Management solution analyzes 100% of employee spend (expense reports, receipts, and credit card data) giving you the clues you need to detect spend risk and change employee behavior.

- **Spot the patterns.** With continuous monitoring and analysis of spend data, Oversight's AI and advanced analytics can detect patterns of risk to identify habitual offenders, as well as spend trends that could be indicative of suspicious behavior. You'll also know when it's time to remind the rule-bending 25% of your expense policies.

- **Steer the future.** Decrease your overall travel and expense spending through the elimination of wasteful spend and duplicate expense submissions. Watch employee spend behavior change with the knowledge they are being watched. With the efficiencies gained through reviewing only the highest-risk, high confidence transactions, your teams will be able to re-focus their attention to more strategic initiatives rather than sorting through lines of data.

See It All. Spot the Patterns. Steer the Future.

Learn more on how Oversight can help you transform your spend risk management and auditing procedures.

Ask us about our pre-and-post-payment options.

On average, Oversight analyzes $13 billion annually in expenses for Fortune 2000 companies. In its 19-year history, Oversight has evaluated more than $1.9 trillion in expenditures for these companies, as well as universities and government agencies.

Find out for yourself.

ABOUT OVERSIGHT

Oversight's AI audit and risk management platform digitally transforms how organizations monitor, analyze and mitigate their enterprise spend risk – across travel & expense, payables, and general ledger entries. Working across these disparate financial data sources, Oversight leverages patented and proven analytical techniques to automatically uncover 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 that reduces out-of-policy spending by 70% while maximizing audit efficiency and eliminating cash leakage.

To request a demo of Oversight, please visit:
www.oversight.com/book-demo