



Take Manager Approval Out of the T&E Loop

Transform Your Expense Audit & Compliance Process
with AI-Powered Analysis

A White Paper

Enterprises are embracing technologies that automate submission, review, and reimbursement of travel and expense reports. The days of filling out and printing paper forms, then stapling receipts to them, are long gone. Automating these manual processes saves time and significantly reduces mistakes due to human error. Yet inefficiencies remain when expense reports go to managers for approval.



10%

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Manager approval has long been the primary financial control companies had in place to prevent T&E fraud, waste, and misuse. But it's **impossible for managers or audit and compliance teams to manually identify all unusual transactions that can cost companies millions of dollars annually**. Bringing T&E spend under greater control requires companies to make a change that may, at first, seem counter-intuitive: eliminate manager approval of expense reports by implementing artificial intelligence technology to comprehensively analyze all transactions.

The Cost of Uncontrolled T&E Risk

Businesses consistently face pressure to cut costs, and travel & expense (T&E) presents a prime opportunity due to its status as one of the most significant variable expenses. Many employees rely on their own discretion when using corporate credit cards for tasks such as paying cell phone bills, entertaining clients, booking flights and hotel rooms, among other purchases. This sheer volume and variety of transactions make mitigating risk and eliminating waste extremely difficult.

To add to the complexity, multiple departments like finance, operations, internal audit, and compliance end up duplicating one another's work in attempts to mitigate risk. They often work in silos and do not communicate or collaborate, and that leads to wasted time, money, and increased risk.

Every year, Oversight publishes a report of traveler behavior based on analysis of millions of transactions. Oversight has found that only 5 percent of travelers are responsible for nearly all instances of high-risk spending.

The primary problem is efficiently identifying the issues; it can take a lot of time to manually find those needles in the haystack.

Finding these trends manually is time and labor-intensive. First, you need to pull several months of data from your expense management system. Next, you must analyze that data, reviewing every employee's expense history. Only then can you identify individuals who consistently use a corporate credit card for personal expenses, those whose personal charge amounts steadily increase from month-to-month, and those with an unusually high ratio of personal spend to non-personal spend. Performing such detailed analysis with manual process takes a lot of effort and more resources than most organizations can spare.

This is where artificial intelligence comes in. AI can quickly identify abnormal expense patterns and flag them for additional scrutiny. This allows auditors to focus on high-risk individuals who are most likely guilty of fraud.

To quote Benjamin Franklin, **“Lost time is never found again.”** In business, lost time is lost money. Our research finds that a company that processes 5,000 expense reports a year forces its managers to spend a combined 833 hours on the review process instead of focusing on their higher-value activity.

Shortcomings of Manager Approval as a Control

The role of managers is to act as gatekeepers, identifying potential issues and preventing them from progressing through the system. That has become an unrealistic, not to mention tedious, responsibility to place on their shoulders. Reimbursement amounts for many expenses vary from city to city and country to country. How can a manager really know the patterns of what’s normal in every city? The key to not only identifying fraud or waste but also preventing it from reoccurring in the future is to find patterns of behavior, which is virtually impossible to do manually. There’s no way to compare and contrast the most recent reports with older reports to spot duplication of expenses or irregularities unless managers take even more time to pull those records out of the archives and go through them line by line.

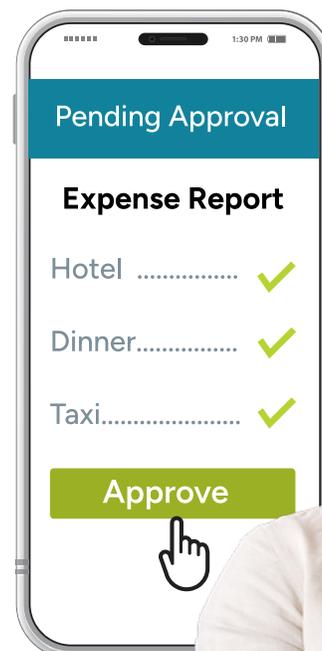
As a result, a manager’s approval often becomes a figurative rubber stamp. They’re busy focusing on other business priorities; they want to trust their team members, so it’s just too easy to click the “approve” button.

Typically, the internal audit and compliance team serves as the manager’s safety net. However, once again, the lack of time leads to an increase in risk. There simply aren’t enough hours in the day, days in the week, or weeks in the year to examine all expense reports. In fact, managers and auditors would even have trouble identifying patterns if they had time.

Often, traditional audit techniques focus on reviewing a sample of expense reports. This sample can be random or based on some high-level rules. Typically, companies only examine 20 percent of their expense reports to reach a general conclusion on all transactions. Yet, for travel and expense reimbursement, the goal should be to find risky behavior by specific employees, and that’s difficult, if not impossible, to do via sampling.

Any reviewer also falls victim to “positive confirmation bias.” When 95 percent or more of transactions are within policy, the mind expects them all to be okay. Therefore, it becomes even more difficult to spot anomalies.

Another shortcoming of the traditional auditing process is that it only enables reviewers to focus on a specific moment in time. This cannot provide context or visibility into an employees’ past behaviors, making it difficult to identify the root cause of recurring violations.



AI Does What Managers Cannot

What makes the T&E review and approval process so frustrating is that companies spend so much time trying to identify the causes of problems—about 80 percent of their effort—and only 20 percent act on their findings. Too much time goes into the process, with too little return on investment. That's why innovative companies are eliminating the management approval process and implementing technologies like Oversight AI for T&E to automate the analysis of all T&E expenses. Doing so provides them with detailed views of their companies' T&E spending habits, not just individual transactions at specific moments in time, to identify the small number of employees engaging in non-compliant activities and prevent them from recurring. When the system discovers suspicious activity, it automatically sends it to the compliance and audit team for review and follow-up.

The objective of eliminating manager approval is not to completely remove the personal element of the expense review and audit process. Rather, the priority is to devote more time to addressing risk instead of searching for it. Automating the monitoring process enables managers to focus their time on addressing employees' high-risk activities and effectively influencing future behavior. They're then free to focus on higher-value initiatives. Oversight's clients have seen a reduction of at least 90 percent in the time and effort required to review, audit, and take action to resolve findings.

Furthermore, constant monitoring, related actions, and communications help to promote appropriate behavior among all employees. Oversight has analyzed 653 million T&E transactions, totaling \$69 billion in employee spend, with our advanced AI and machine learning solution. Companies Oversight works with report they have strengthened their compliance postures due to a decrease in the number of out-of-compliance activities by as much as 85 percent.



The number of out-of-compliance activities decreased by as much as **85%**

**Decrease
Time & Effort**



**Increase
Visibility**



5 Key Benefits Automated Transaction Analysis Delivers

The ability to apply analytics to monitor 100 percent of transactions for policy compliance enables Oversight AI to provide five key benefits:

1. Eliminate manual sample-based review of expenses
2. Focus on employee behavior patterns over time
3. Leverage best-practice analytics tuned to client risk preferences
4. Reduce level of effort to investigate and resolve findings
5. Drive savings from eliminating waste and misuse

Why You Need Oversight

You already know how important it is to keep track of your company's spending, but what if you could find an easier way to identify risk that flies under the radar?

Oversight AI is a solution designed to revolutionize the way finance and accounting teams approach their work. Only Oversight's AI powered solution analyzes millions of financial data points, identifying complex patterns of fraud, waste, and abuse across Travel & Expense, Accounts Payable, Procurement, and P-Card programs. With Oversight, finance teams work smarter and more efficiently, supercharging their performance to control spend, streamline processes, and ensure compliance, all while doing so with less effort. We've developed the most sophisticated and advanced AI model in the finance and accounting space. With an industry-leading accuracy rate of up to 98% and patented technology at the core of everything we do, there's a reason Oversight is the AI choice for leading companies worldwide.

About Oversight

Oversight is the world's leading provider of AI spend management and risk mitigation solutions, digitally transforming how large organizations analyze and mitigate their enterprise spend risk - across travel & expense, purchase card (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. Oversight helps create a culture of compliance that reduces out-of-policy spending by 85% while maximizing audit efficiency and eliminating cash leakage.

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

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