Hesitant to adopt a corporate card program? Here's why you should

The possibility of internal fraud is a real concern for many executives, regardless of their organization's size. Popular news articles point to high-profile cases of corporate card abuse, asset misappropriation and various examples of employee fraud. This narrative may leave middle market financial leaders – especially those hesitant to adopt a corporate card program – feeling skeptical.

However, for middle market companies managing tight margins, understanding where money is made and lost is critical for business success. Corporate cards, by their very design, offer increased visibility and control over other payment forms — including employees using personal credit cards — making them an ideal choice for managing expenses.

We partnered with Protagonist to better understand the beliefs held by middle market financial executives and their staff when it comes to corporate card policy, expense management, corporate card products, and benefits. This study found misconceptions among those hesitant to adopt a corporate card – including the belief that corporate cards are a gateway to fraud and encourage overspending.

The surprising truth about employee fraud

With the recent high profile cases of employees treating their corporate credit card like a personal 'slush' fund, many hesitant adopters believe that the risks of a corporate card program outweigh the benefits. But many of the cases in the news are exaggerated examples of fraud and point to a lack of controls and personal accountability.

There are, however, more subtle forms of fraud, like exaggerated expense reporting, that can have a significant impact on an organization's bottom line if left unchecked. In fact, employees are actually having quite an easy time committing it. Even with overall T&E spending down due to the pandemic, instances of expense policy violations and fraud are up significantly. According to a recent study by Oversight, T&E spend decreased 76 percent from Q2 2019 to Q2 2021, however, "spend violations skyrocketed 125 percent over the same period."[1] Examples included electronics fraud, excessive meal expenditures and miscellaneous expenses like cell phones and cable. And because the fraud is subtle, the claims fall through the cracks and raise no red flags.

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Powerful benefits that help more than your bottom line

Much of the conversation centers around the risk corporate cards pose. But when implemented with well documented and communicated expense management policies, corporate cards can offer significant financial, operational and security benefits worth talking about.

Improved oversight Corporate cards feature tools that provide visibility into individual payment transactions so you can easily understand who's spending what and where as well as controls that govern the type of expense a card is used for. These tools can also help you quickly recognize patterns of fraudulent behavior and non-adherence to travel and expense policies that would be hard to identify with a manual process and next to impossible to identify when employees use their personal card for business expenses.

Increase efficiency Replacing paper-based processes with an integrated corporate card program and expense management solution eliminates manual processes for tracking, and analyzing payments. This in turn can reduce administrative costs, speed up payments, and improve internal policy compliance, reconciliation and expense analysis.

Reduced expense fraud Paper based payment methods are inefficient and prone to fraud making it more difficult to identify and control expense report fraud. By directly importing charges made on a corporate card, an organization knows the exact expense amount. It's more difficult to inflate expenses or otherwise manipulate receipts.

However, implementing a corporate card program is only the first step. To safeguard against misuse, a corporate card program must be implemented in conjunction with a defined expense management policy. The expense management policy should clearly articulate allowable expenses, and be communicated broadly so employees become part of the expense management process — not part of the problem.

Often, there's a clear line between making legitimate expenses and abusing the system. But without controls in place, there's no way to identify the difference.

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