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System Audit Office

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November 5, 2015

David E. Daniel, Ph.D.
Deputy Chancellor
The University of Texas System Administration
601 Colorado Street, OHH 4th Floor
Austin, Texas 78701

Dear Dr. Daniel:

We have completed the audit of The University of Texas (UT) System Administration Executive and Senior Management Travel and Entertainment Expenses. The detailed report is attached for your review.

We conducted our audit in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the support and assistance provided by the staff from various offices of UT System Administration.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

cc: Raymond S. Greenberg, M.D., Ph.D., Executive Vice Chancellor of Health Affairs
Steven Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs
Scott C. Kelley, Ed.D., Executive Vice Chancellor for Business Affairs

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The University of Texas System Administration

Report on the Executive & Senior Management Travel and Entertainment Expenses Audit Fiscal Year 2015



November 2015

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST 6th STREET, SUITE B.140E
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(512) 499-4390



**The University of Texas System Administration
Executive & Senior Management Travel and Entertainment Expenses Audit
Fiscal Year 2015**

AUDIT REPORT

November 2015

BACKGROUND

Beginning in Fiscal Year (FY) 2007, the Chancellor's travel and entertainment expenses have been audited annually. To further enhance transparency and accountability, audits of executive-level travel and entertainment expenses began in FY 2013 at the previous Chancellor's request. This audit includes an examination of reimbursements to, or payments on behalf of, The University of Texas (UT) System Administration executives for travel and entertainment expenses that they incurred while conducting official business.

Compliance requirements and guidance for travel and entertainment expenses are provided by various state and federal laws. State compliance requirements and guidance are provided by the State of Texas Travel Regulations Act, the *General Appropriations Act*, the State of Texas Travel Guide, and official interpretations of the Travel Regulations Act by the State Comptroller of Public Accounts. Federal compliance requirements and guidance are found in the *Internal Revenue Code*. State and federal compliance requirements and guidance are reflected in various UT Systemwide and UT System Administration policies and procedures, including, but not limited to, the UT System Board of Regents' *Rules and Regulations*; INT114 *Travel Policy*; INT115 *Administrative Policy on Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds*; and various UT System purchasing policies.

AUDIT SCOPE, OBJECTIVE, & METHODOLOGY

This fiscal year, the UT System Administration executive officers, associate and assistant vice chancellors, and executive directors and directors (executive officers and senior management) were subject to audit. The audit scope included activity for the period from May 1, 2014 through April 30, 2015.

The objective of the audit was to determine whether the travel and entertainment expenses reimbursed to, or directly paid on behalf of, the executive officers and senior management are appropriate, accurate, and in compliance with applicable policies and procedures.

The audit procedures included performing analytical reviews for all executive officers and senior management and testing a sample of expenses for select employees. We selected a sample of 13 employees for detailed testing. This determination was made based on both an analysis of risk and whether the individual's expenses had been recently reviewed.

We conducted our audit in accordance with the guidelines set forth in The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

RESULTS

In total, our population included 11 executive officers and 55 senior managers. Travel and entertainment expenses reimbursed to the executive officers and senior management totaled approximately \$190,000 as indicated in table on the next page.



The University of Texas System Administration
Executive & Senior Management Travel and Entertainment Expenses Audit
Fiscal Year 2015

Summary of Reimbursed Travel and Entertainment Expenses May 2014 - April 2015				
No.	Level	Travel	Entertainment	Total
11	Executive Officers	\$ 34,558	\$ 10,914	\$ 45,472
30	Asst. or Assoc. Vice Chancellor	72,066	10,390	82,455
25	Executive Director/Director	53,922	8,193	62,116
66	Total	\$ 160,546	\$ 29,497	\$ 190,043

We reviewed the total population of travel and entertainment expenses. Using the results of our assessment of risk, we selected a sample of five executive officers, five associate vice chancellors, one assistant vice chancellor, and two executive directors for detailed testing. For these selections, we tested a sample of travel and entertainment expenses, including those directly paid by UT System Administration. In addition, we tested controls over travel and entertainment expenses to determine whether they were in place and functioning as intended.

We found that the executive officers' and senior management's expenses tested were properly approved, adequately supported, mathematically accurate, properly recorded, within allowable limits, and, as applicable, timely submitted for reimbursement. In addition, the internal controls are in place and functioning as intended. We noted some isolated issues from the detailed testing, which were separately communicated to the responsible parties, who agreed to address them.

CONCLUSION

The travel and entertainment expenses tested that were reimbursed to, or directly paid on behalf of, the executive officers and senior management were appropriate, accurate, and in compliance with applicable policies and procedures. Additionally, the internal controls in place are properly functioning to ensure that applicable policies and procedures are being followed.

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

Eric Polonski, CPA, CIA
Assistant Director of Audits