



February 29, 2016

Greg Fenves, Ph.D., President
110 Inner Campus Drive
Stop G3400
Austin, Texas, 78712-3400

Dear President Fenves:

We have completed our audit of presidential travel, entertainment, and university residence maintenance expenses. The scope of the audit included expense activity of the presidents and their spouses during the period from December 1, 2013 to May 31, 2015, which was during former President Powers' term.

Our audit objective was to determine whether these expenses are appropriate, accurate, and in compliance with applicable institutional policies and The University of Texas System Board of Regents' *Rules and Regulations*. The detailed report is attached for your review.

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

We appreciate the assistance provided by the offices of the president, financial affairs, and internal audit in conducting this engagement.

Sincerely,

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

cc: Mary E. Knight, Interim Vice President and Chief Financial Officer, UT Austin
Mike Vandervort, Director of Internal Audits, UT Austin
Steven Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs, UT System Administration

**Presidential Travel, Entertainment, and University Residence
Maintenance Expenses Audit Report
The University of Texas at Austin
FY 2015**



February 2016

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 W. 6th STREET, SUITE B.140E
AUSTIN, TX 78701
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**The University of Texas System Audit Office
Presidential Travel, Entertainment, and University Residence Maintenance
Expenses Audit – UT Austin
Fiscal Year 2015**

AUDIT REPORT

February 2016

BACKGROUND

As required by The University of Texas (UT) System Board of Regents' *Rules and Regulations*, Rule 20205, titled "Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences" (Rule 20205), the UT System Audit Office has completed the audit of presidential travel, entertainment, and university residence maintenance expenses. Guidance for these expenses is provided by various state laws, rules and regulations promulgated under those laws, and UT System and institutional travel and entertainment policies and procedures including, but not limited to, Rule 20205.

While each of the presidents is subject to the annual audit, substantive testing of their expenses is determined on a year-to-year basis. This assessment is made based both on an analysis of risk and an element of rotation to ensure complete coverage over a period of time.

AUDIT OBJECTIVE

The overall objective of this audit was to determine whether travel, entertainment, and university residence maintenance expenses paid on behalf of or reimbursed to the presidents and their spouses were appropriate, accurate, and in compliance with applicable institutional policies and Regents' *Rules and Regulations*.

SCOPE AND METHODOLOGY

The scope of this audit included travel, entertainment, and university residence maintenance activity of the presidents and their spouses for the period from December 1, 2013 to May 31, 2015, which was during former President Powers' term. The audit scope of travel and entertainment expenses for presidents' spouses is limited to those expenses related to the presidents' offices. UT Austin does not have a university residence for the president; therefore, there are no such expenses.

The audit methodology consisted of reviewing applicable institutional policies and procedures, assessing internal controls, and analyzing the institutions' quarterly reports submitted to UT System. Based on the risk determined as a result of these audit procedures at UT Austin, additional substantive testing was performed on a sample of travel and entertainment expenses to determine whether applicable policies and procedures were followed and whether expenses were appropriate, adequately supported, and accurately processed.

The audit was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*.

AUDIT RESULTS

Overall, the travel and entertainment expenses reimbursed to, and paid on behalf of, the president and his spouse appeared appropriate and accurate, and adequate internal controls are in place.



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Enhancements were identified related to the completeness and accuracy of the quarterly reports and the chief business officer's approval of direct billed expenses.

Completeness and Accuracy of Quarterly Reports

Quarterly reports of presidential travel and entertainment expenses are required to be filed with UT System per Rule 20205. Through a review of these quarterly reports, several travel expenses and one entertainment expense were omitted, and a few minor inaccuracies were found.

Recommendation:

The Office of the President should strengthen the process of preparing and reviewing the quarterly reports to ensure they are complete, accurate, and consistent. The preparer(s) and reviewer(s) of the report should be familiar with the travel systems, the accounting system, and the overall process to ensure all relevant expenses are identified and properly captured. Training a back-up or developing procedures should be considered in light of potential turnover of the position(s) preparing the report.

Management's Response:

UT Austin concurs with the recommended changes and will implement the suggested process improvements.

Implementation Date:

May 31, 2016

Chief Business Officer Approval of Expenses

Rule 20205 requires that travel and entertainment expense reimbursements to the president and his spouse and amounts paid directly to a vendor on their behalf must be reviewed and have documented approval by the institution's chief business officer (CBO) before payment. Direct billed travel and entertainment expenses paid on behalf of the president and his spouse are not being approved by the CBO.

Recommendation:

The Office of the President, working with Financial Affairs, should implement a process, or modify current processes, as determined to be most practical, to ensure that all direct billed expenses for the president and his spouse are approved by the CBO in accordance with Rule 20205.

Management's Response:

UT Austin will review the current process and routing of direct billed expenses and implement changes to comply with Rule 20205.

Implementation Date:

May 31, 2016



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CONCLUSION

Overall, the travel and entertainment expenses reimbursed to, and paid on behalf of, the president and his spouse appeared appropriate and accurate and adequate internal controls are in place. Enhancements were recommended in the areas of accuracy and completeness of the quarterly reports and documented CBO approval of direct billed travel and entertainment expenses.

Handwritten signature of J. Michael Peppers in black ink.

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

Handwritten signature of Moshmee Kalamkar in black ink.

Moshmee Kalamkar, CPA, CIA
Audit Manager