

AUDIT REPORT

TO: Jerry Long, Ph.D., Assistant Vice President, Business Affairs

FROM: Angela D'Anna, Chief Audit Executive, Internal Audit and Consulting Services *AD*

DATE: November 10, 2016

SUBJECT: Executive Officer Travel and Entertainment Expenditures (17-09)

EXECUTIVE SUMMARY

Internal Audit and Consulting Services has reviewed Executive Officer Travel and Entertainment Expenditures at The University of Texas Health Science Center at San Antonio for the period September 1, 2015 through August 31, 2016. The major objectives of the audit were to determine whether travel and entertainment expenditures paid directly on behalf of, or reimbursed to, executive officers and leadership members of their teams were appropriate and accurate, and to ascertain compliance with applicable laws, regulations, policies and procedures. This audit was performed at the request of the UT System Audit Office using a risk-based audit approach.

In general, travel and entertainment expenditures paid directly on behalf of, or reimbursed to, executive officers and leadership members of their teams were appropriate, accurate and in compliance with applicable laws, regulations, policies and procedures. However, reimbursements of travel expenditures were not always approved by the supervisors or department heads in accordance with policy.

The audit issue was ranked according to the University of Texas System Administration audit ranking guidelines. This audit identified no issues considered priority to the institution. Please see the Appendix for ranking definitions. Attached is the detailed report.

DETAILED AUDIT REPORT

Internal Audit and Consulting Services has reviewed Executive Officer Travel and Entertainment Expenditures (T&E) at The University of Texas Health Science Center at San Antonio (UT Health San Antonio™).

PURPOSE AND SCOPE

This audit was performed at the request of the UT System Audit Office using a risk-based audit approach. The scope included the period of September 1, 2015 through August 31, 2016. We reviewed a total of 40 travel and entertainment expenditures for 34 executive officers and leadership members of their teams. The major objectives of the review were as follows:

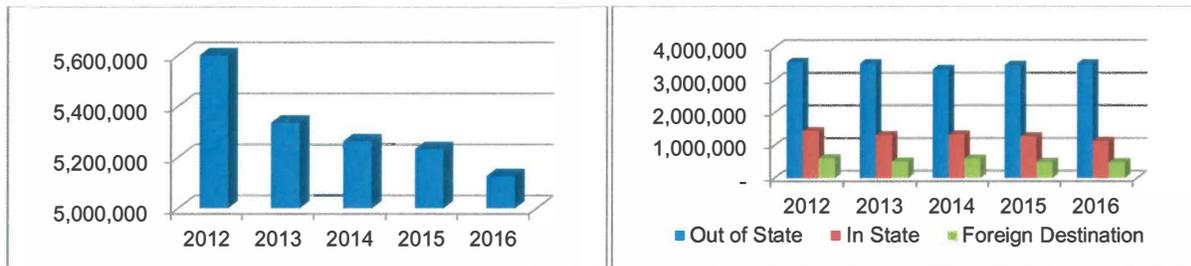
- Determine whether T&E expenditures paid directly on behalf of, or reimbursed to, executive officers and their leadership teams were appropriate and accurate.
- Ascertain compliance with applicable federal and State of Texas laws and regulations pertaining to T&E expense reimbursement.
- Determine compliance with T&E policies and procedures of the UT System and UT Health San Antonio.

BACKGROUND

Expenditures for T&E are governed by federal and State of Texas laws and regulations, the Texas Comptroller of Public Accounts, the UT System Board Regents' Rules and Regulations, and UT Health San Antonio policies and procedures, as well as restrictions by grantors and donors.

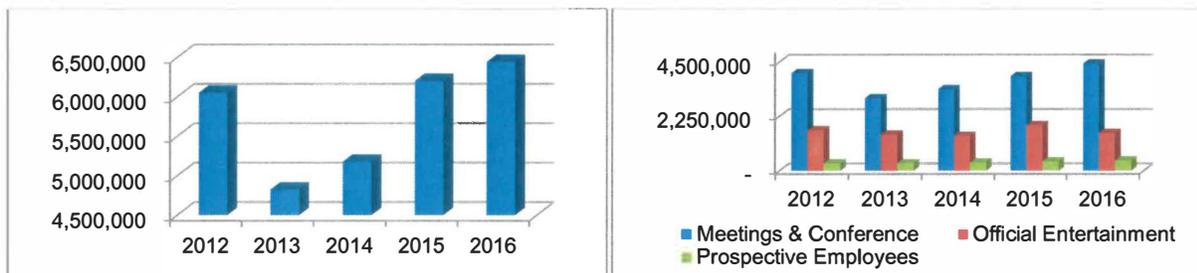
Total T&E expenses represented 1.5% of the \$781.9 million operating budget during fiscal year 2016 and have declined by 1% over the last five years. Since 2012, total travel expenditures have decreased by 9%. Since 2013, entertainment expenditures have increased by 34%. The increase in entertainment expenditures represents a steady increase in costs for meetings and conferences since 2013. The trends are depicted below:

Total Travel Expenditures by Fiscal Year



Note: Executive travel reimbursements represented approximately 8% of total FY16 travel expenditures.

Total Entertainment Expenditures by Fiscal Year



Note: Executive entertainment reimbursements represented approximately 3% of total FY16 entertainment expenditures.

RESULTS

In general, travel and entertainment expenditures paid directly on behalf of, or reimbursed to, executive officers and leadership members of their teams were appropriate, accurate and in compliance with applicable laws, regulations, policies and procedures. However, reimbursements of travel expenditures were not always approved by the supervisors or department heads as required by UT Health San Antonio policy.

Attached is the audit recommendation, management action plan, responsible party, and anticipated completion date. This matter is offered for management's consideration in the spirit of continuously improving processes and reducing risks in the organization.

* * * * *

This audit was performed by Esther Villarreal, Intermediate Internal Auditor, with the assistance of other members of the Internal Audit and Consulting Services Department. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors.

cc: Michael E. Black, Senior Executive Vice President and Chief Operating Officer
Eileen T. Breslin, Ph.D., Dean, School of Nursing
Yeman Collier, Vice President and Chief Information Officer
Mary G. Delay, Vice President, Communications and Chief of Staff
Armando Diaz, Vice President, Governmental Relations
William W. Dodge, D.D.S., Dean, School of Dentistry
Andrea Giuffrida, Ph.D., Vice President, Research
Francisco Gonzalez-Scarano, M.D., Dean, School of Medicine
William L. Henrich, M.D., President
Ralph Kaster, Director, Office of Accounting
James D. Kazen, Executive Vice President, Facility Planning and Operations
Andrea Marks, Vice President and Chief Financial Officer
Jacqueline Lee Mok, Ph.D., Vice President, Academic, Faculty and Student Affairs
Deborah H. Morrill, Vice President, Institutional Advancement
David C. Shelledy, Ph.D., Dean, School of Health Professions
Michael Tesh, Vice President, Human Resources
David S. Weiss, Ph.D., Dean, Graduate School of Biomedical Sciences

Supervisory Approval for Travel Expense Reimbursements

Opportunity for Improvement:

Issue Ranking - *Medium*

Our review of 20 travel reimbursements revealed that 9 (or 45%) of the expenditures did not have approval by the supervisors or department heads of the staff requesting reimbursement. These travel reimbursements were approved by subordinates of the travelers.

HOP Policy 6.2.14, *Travel Policies and Procedures - General Reimbursement Policies*, states that reimbursement requests must be approved by the supervisor or department head (or by his or her designee) of the individual being reimbursed and specifies that a subordinate of the traveler is not a sufficient approver.

However, HOP Policy 6.2.20, *Travel Policies and Procedures – Travel Voucher General Instructions*, indicates that if the recipient (traveler) and authorized signer are the same, then only a witness signature is needed. This conflicts with the requirement to have supervisory or department head approval as required by HOP Policy 6.2.14.

Proper approval of travel expense reimbursements helps to ensure that travel expenditures are appropriate.

Recommendation:

The travel voucher and HOP 6.2.20 should be revised to clarify that supervisory or department head approval is required for travel expense reimbursements. Additionally, these changes should be communicated to the UT Health San Antonio community.

Management's Action Plan:

Responsible Party(s): Jerry Long

Estimated Completion Date(s): 2/28/2017

Management concurs with the finding and recommendation of the Internal Audit and Consulting Services Department in this review of Executive Officer travel and entertainment expenses. Business Affairs will edit both HOP Policy 6.2.20 and the Travel Voucher form so that they are compatible and in agreement with the HOP 6.2.14 rule regarding hierarchical approval of official travel expenses

Appendix - Audit Issue Ranking Definitions

The audit issue was ranked according to the following University of Texas System Administration issue ranking guidelines:

- **Priority** – A priority finding is defined as an issue identified by internal audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Health San Antonio or the UT System as a whole.
- **High** – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to UT Health San Antonio either as a whole or to a significant college/school/unit level.
- **Medium** – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to UT Health San Antonio either as a whole or to a college/school/unit level.
- **Low** – A finding identified by internal audit that is considered to have minimal probability of adverse effects to UT Health San Antonio either as a whole or to a college/school/unit level.