

May 19, 2016

MEMORANDUM

TO: Patrick Mulvey
Vice President, Development

FROM: Sherri Magnus *Sherri Magnus*
Vice President & Chief Audit Officer

SUBJECT: Travel and Entertainment – Development Office
Audit Control Number 2016 – 107

We have completed our review of the Development Office's travel and business entertainment expenditures. This review covered the period of December 2014 through December 2015 and included a sample of 81 expense reports, totaling \$133,000 for 25 employees. The objective was to determine whether travel and business entertainment costs were appropriately justified, reasonable, and compliant with Institutional Travel Policy and the department's Travel and Entertainment Guidelines.

The Development Office plays a significant role within the Institution by fostering relationships with potential and existing donors and external stakeholders to increase awareness of the institutional and priority research initiatives. According to management, during Fiscal Year 2015, 33 field officers made 3,896 donor and prospect visits, submitted proposals totaling \$344 million and secured \$255 million in donor gifts. As a result of these trips, the Development Office incurred approximately \$900,000 in travel and business entertainment expenses, which included travel expenses for faculty to attend various events.

In an effort to demonstrate their commitment to being good stewards of Institutional funds, in September 2014, management revised the department's guidelines. While more restrictive than the Institution's Travel Policy, the department's guidelines outlined management's travel and business entertainment expectations. To ensure that field officers were informed of their fiscal responsibilities, management required them to sign an acknowledgement form.

In general, we determined that travel and business entertainment expenses were submitted timely and approved in accordance with the Institution's Travel Policy. However, we identified opportunities for improvement as noted in the observation below.

Observation:***Ranking: Low***

In some cases, the revised departmental guidelines were stricter than the Institution's Travel Policy. The Development Office travel and business entertainment practices did not always align with the newly revised departmental guidelines. For example, while not part of the Institution's Travel Policy, the Development Office guidelines require that a pre-travel authorization request include the names of the donors or prospects to be visited, thereby resulting in a 19% error rate for the documents reviewed. We also noted that 12% of the business entertainment expenses reviewed was missing documentation such as meeting justification and benefit, donor name, or attendee title and affiliation. Without this information, there were instances when we were unable to determine if the expenses incurred were reasonable. Failure to comply with the Development Office travel guidelines may result in misappropriation of funds or expenses that do not provide value-added benefit to the Institution.

In addition, we noted the following practices which may result in inconsistencies and operational inefficiencies:

- Business and entertainment expense justifications are expected to be documented in both Concur and the donor tracking database, which could result in inconsistencies within the documentation.
- Itemized receipts are required by the travel guidelines for all credit card transactions, regardless of the amount or card used, which may not be clear to all staff.
- Approval to attend a conference must be obtained manually and approved electronically in Concur, the Institution's travel management system, resulting in a duplication of effort.

Recommendation:

Management should consider revising the Development Office travel and business entertainment policy to be more closely aligned with the Institution's travel policy when possible, and provide training to all Development Office staff, including administrative staff, to ensure travel documentation complies with the Development Office's Travel and Entertainment Guidelines. In addition, management should review the department's guidelines for possible inconsistencies and operational inefficiencies.

Management's Action Plan:

Responsible Executive: Tadd Pullin

Owner: Maria Gelormini

Due Date: August 31, 2016

Management will revise the Development Office's Travel and Entertainment Guidelines surrounding pre-authorization, expense reports, and conference approval. This will improve consistency and accuracy of travel and business entertainment expenses submitted. Management will conduct a department-wide informational session for all travelers and travel preparers to educate them on the revised departmental guidelines. In addition, management will perform annual reviews of the departmental guidelines to ensure alignment with institutional policy.

We appreciate the courtesy and cooperation extended to us during this review.

SM/adl/cj

cc: Tadd Pullin
Maria Gelormini
Peggy Marin

Appendix A

Methodology:

Our methodology included the following procedures:

- Interviewed Development Office staff to understand their processes for requesting and approving travel and business entertainment expenses.
- Tested a sample of travel and business entertainment expenses to determine compliance with Institutional Travel Policy and Development Office travel guidelines.
- Reviewed travel credit card agreements to ensure all staff with Institutional credit cards had a signed agreement on file.

Our internal review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Governmental Auditing Standards*.

Number of Priority Findings to be monitored by UT System: None

A Priority Finding is defined as "in issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT Institution or the UT System as a whole".