

Executive Travel and Entertainment Expenses

Audit Report # 17-08
August 21, 2017

The University of Texas at El Paso
Institutional Audit Office

"Committed to Service, Independence and Quality"



August 21, 2017

Dr. Diana Natalicio
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited-scope audit of Executive Travel and Entertainment Expenses. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by Accounts Payable staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads "Lori Wertz".

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed the audit of Executive Travel and Entertainment Expenses. The audit scope was limited to travel and entertainment expenses reimbursed to, or paid on behalf of, selected executive officers and key management personnel of The University of Texas at El Paso during the period September 1, 2015 through August 31, 2016. The objective of the audit was to determine whether the travel and entertainment expenses incurred by the selected individuals were in compliance with applicable laws, regulations, policies and procedures.

Based on the work performed, we have the following observations:

- The Office of the Vice President for Business Affairs has done an excellent job updating The Handbook of Operating Procedures to reflect current business processes for travel and entertainment. The corresponding Business Process Guidelines provide detailed information on how travel and entertainment expenses should be processed.
- The University implemented workflow within PeopleSoft to facilitate the routing and approval for all travel and entertainment transactions. All travel authorizations and expense reimbursements initiated after implementation were appropriate.

We tested transactions totaling \$44,671 for eight executives with the following results:

- six business trips did not have a travel authorization approved until after the travel was completed. Additionally, flights were allowed to be booked through the authorized travel agency with a self-created authorization number,
- nineteen of 120 transactions (16%) submitted for reimbursement for entertainment expenses did not include itemized receipts, and
- fourteen of 120 (12%) entertainment transactions, and one of 9 (11%) travel expense reports tested lacked adequate descriptions of the business purpose.

Based on the results of audit procedures performed, we conclude that Accounts Payable strengthened controls by updating policies and implementing workflow. Additional attention is required to ensure compliance with policies for the authorization and approval of travel and entertainment expenditures.

BACKGROUND

The University of Texas System (UT System) Board of Regents' Rule 20205 *Expenditures for Travel, Entertainment, and Housing by Chief Administrators* was approved in 2006 to "prescribe, clarify, and provide uniformity in the approval, review, and audit process for travel, entertainment, and housing expenses incurred by the Chancellor and presidents." Audit requirements were later expanded to include travel and entertainment expenses incurred by the UT System institutions' executive officers and key management personnel.

AUDIT OBJECTIVES

The objectives of this audit were to determine whether:

- expenses incurred by The University of Texas at El Paso (UTEP) executive officers were in compliance with applicable laws, regulations, policies and procedures, and
- travel and entertainment expense reports included an adequate business purpose, were supported by the appropriate documentation, properly approved, and submitted in a timely fashion.

SCOPE AND METHODOLOGY

The scope of the audit included travel and entertainment vouchers for selected UTEP executive officers during the period September 1, 2015 through August 31, 2016. Eight of 42 university executives were selected for testing. Computer assisted audit tools and techniques were used to analyze and select transactions chosen for review.

Audit testwork included interviews with key personnel and verification of travel and entertainment reimbursements through inspection of supporting documentation. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority - an 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.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

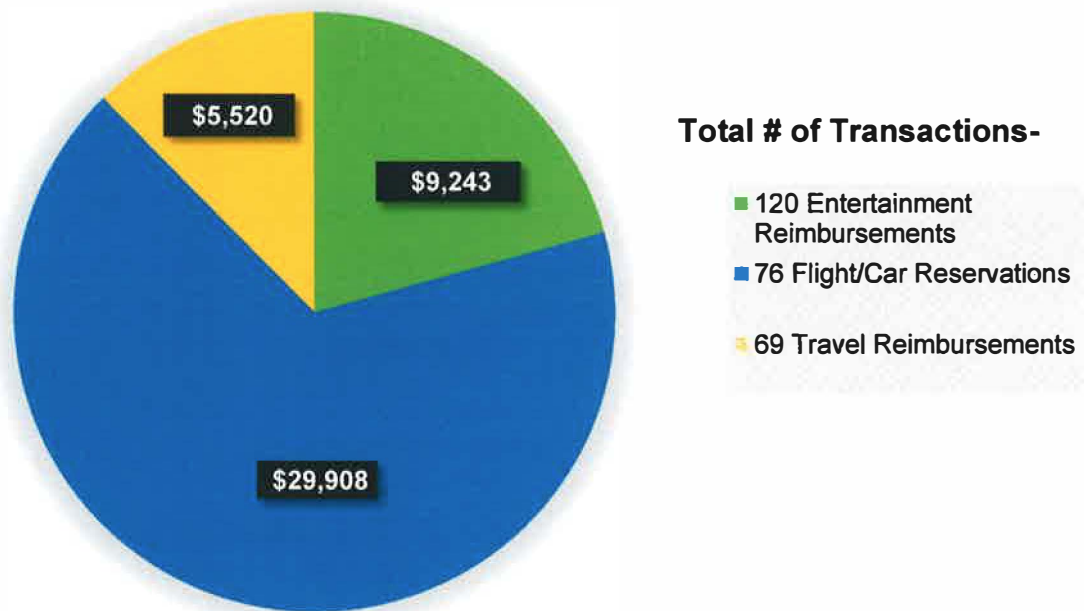
Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

AUDIT RESULTS

We tested 265 transactions totaling \$44,671 for the eight executives.

FY 16 Travel and Entertainment Expenses



A. Updated Policies and Procedures

The Handbook of Operating Procedures (HOP) was revised in December 2016 to reflect new travel and entertainment policies and procedures. Additionally, the VPBA website has updated their Business Process Guidelines (BPGs) to offer detailed travel procedures that are consistent with the policies outlined in the HOP and the UTEP Travel Office website.

B. Travel Approvals

The University implemented workflow within PeopleSoft to facilitate the routing and approval for all travel and entertainment transactions. All travel authorizations and expense reimbursements initiated after implementation were appropriate.

C. Travel Authorization Prior to Travel

The HOP Section VII: Financial Services Travel Regulations Chapter 6.2.2 states, *“Prior supervisory approval for all business travel is required for absences from the campus (or other designated headquarters) for periods of half a day or more during the normal working period, whether or not there is a cost to the University. A Request for Travel Authorization must be completed prior to travel, and approval is delegated to the immediate supervisor.”*

Six of 76 (8%) travel authorizations were created and approved in PeopleSoft after the trip had occurred. Failure to obtain the proper approvals could increase the risk of errors and overspending due to lack of encumbered funds.

In addition, flights were allowed to be booked through the authorized travel agency with a self-created authorization number. The self-created number does not exist in PeopleSoft thereby eliminating the ability to track specific details of a trip.

Recommendation:

An approved PeopleSoft travel authorization should be on file prior to all travel. Proper approvals will help ensure the accuracy and legitimacy of the transaction.

Level: This finding is considered **Medium** due to the possibility of errors and the increased risk of overspending due to lack of encumbered funds.

Management Response:

Refresher trainings related to travel authorizations and expense reimbursements procedures were provided on 6/13/17, 6/14/17, 6/20/17, 6/21/17 and 6/28/17. In total, 275 employees attended. Jaime Huerta from PeopleSoft conducted the sessions and a representative from Accounts Payable was in attendance to answer any technical questions or to provide clarification on the procedures. A copy of the presentation will be included as part of Management’s response.

D. Travel and Entertainment Reimbursements

120 (100%) entertainment transactions, and a judgmental sample of 9 of 73 (12%) travel expense reports were tested for compliance with applicable policies.

D.1 Support Documentation

The Board of Regents' Rule 20205 states,

"Each chief administrator shall comply with all documentation requirements imposed by law and University of Texas System and institutional policies for travel and entertainment expenses...including providing detailed receipts and information on the purpose of the expense."

19 of the 120 (16%) entertainment transactions failed to include an itemized receipt; consequently, a determination of whether the expenses were appropriate or allowable could not be made. There was one receipt missing in the 9 travel reports tested.

Recommendation:

Itemized receipts should be provided for all reimbursements.

Level: This finding is considered **Medium** due to the potential level of risk from the possible reimbursement of unallowable expenses.

Management Response:

As previously noted, a refresher training related to travel authorizations and expense reimbursements procedures was held in June 2017.

D.2 Entertainment Expense Form

The Entertainment Expenses BPG states,

“Reimbursement for official entertainment expenses may be claimed by submitting a local funds voucher (non-Purchase Order) along with a properly completed Entertainment Expense Form.”

The forms were tested for all of the following:

- purpose and benefit to the University,
- number of participants (if less than 10) with name, title and organizations, and
- signature of the department head.

46 of the 120 (38%) entertainment expense forms tested were not properly completed. Failure to properly complete the forms could result in unallowable expenses being reimbursed by the University.

- 45 of the entertainment expense forms were signed with a signature stamp, and
- one employee approved his own entertainment expense form.

Recommendation:

Incomplete entertainment expense forms should be returned to the department for revisions. Additionally, the form should be signed by the cost center owner. If the reimbursement is sought by the cost center owner, the approval should be one level above.

Level: This finding is considered **Medium** due to possible unallowable expenditures being charged to the University.

Management Response:

Management acknowledges that there have been deficiencies in this process. The current policy is being reviewed and will be updated. The Entertainment Expense form will also be modified to include print name and signature lines. The “Department Head” signature line currently appearing on the form will be changed to “Supervisor.” The updated form will be uploaded to Forms Mine and the College Administrative Officers (CAOs) will be notified to ensure the administrative support staff within their respective colleges use the updated form.

D.3 Business Purpose

Regents' Rule 20205 states,

"Each chief administrator shall comply with all documentation requirements imposed by law and University of Texas System and institutional policies for travel and entertainment expenses...including providing detailed receipts and information on the purpose of the expense."

14 of 120 (12%) of the entertainment expense transactions, and one of nine (11%) travel expense reports did not have an appropriate business purpose. Although there is a drop down menu in PeopleSoft with general business purpose descriptions, a more detailed explanation should be provided in the comment section of the screen.

Recommendation:

All travel transactions and employee reimbursements should include an appropriate business purpose as part of the support documentation. If an appropriate business purpose is not included, the document should be sent back to the department for revisions.

Level: This finding is considered **Low** due to possible unallowable expenditures charged to the University.

Management Response:

We agree with the auditors' comments, and the following action will be taken to improve the situation. We will have each employee in the Accounts Payable office review the current policies and procedures by the end of the first quarter of FY 2017-18 to ensure the reimbursement is for an appropriate business purpose and to question those requests that do not appear in accordance with this policy.

CONCLUSION

Based on the results of audit procedures performed, we conclude that additional attention is required to strengthen the process for the authorization and approval of travel and entertainment expenditures and to ensure compliance with the state regulations, and UT System and UTEP policies and procedures.

We wish to thank the management and staff of Accounts Payable for their assistance and cooperation provided throughout the audit.