



Office of Internal Audit

May 30, 2017

Dr. W. David Watts, President
The University of Texas of the Permian Basin
4901 E. University Boulevard
Odessa, Texas 79762

Dear Dr. Watts:

We have completed our audit of the University of Texas of the Permian Basin (UTPB) *Executive Travel and Entertainment Expenses* for the fiscal year 2015 as required by University of Texas System (UT System) Policy UTS 129.

The objective of this audit was to determine if the appropriate UT System and UTPB policies and procedures were followed in the expenditure and reimbursement of travel and entertainment funds by those University executives that report directly to the President. Our audit was performed according to the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*.

We found that, overall, the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses. We did note some minor exceptions which were negligible in dollar impact. For more detailed information, please refer to the attached report.

We wish to express our appreciation to the management and staff of UTPB for the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink that reads "Glenn Spencer".

Glenn Spencer, CPA
Institutional Chief Audit Executive

cc: Mr. Mark McGurk, CPA, Vice President for Business Affairs
Ms. Cuca Franco, Interim Director of Accounting

The University of Texas of the Permian Basin



Executive Travel and Entertainment Expense Audit Report

May 2017



**Office of Internal Audit
4901 E. University
Odessa, Texas 79762**

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Executive Summary

We have completed the Executive Travel and Entertainment Expense audit as included in our FY 2016 annual audit plan. This audit was conducted in accordance with guidelines set forth in UTS129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

The purpose of our audit was to determine if the appropriate UT System and UT Permian Basin (UTPB) policies and procedures were followed in the expenditure and reimbursement of travel and entertainment funds by those University executives that report directly to the President.

During the course of our audit we noted minor exceptions in the following areas:

- The Official Occasion Expense Form was signed by an individual not authorized to do so according to UTPB policy.
- The limit on meal gratuities was not always followed.
- Detailed receipts are not always provided on credit card transactions.
- Not all reimbursements were processed in a timely manner.

Overall, the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

Background

In 2006, the UT System Board of Regents approved Rule 20205 "*Expenditures for Travel, Entertainment, and Housing by Chief Administrators*", which required annual audits of the travel, entertainment and housing expenses incurred by the Chancellor and institutional Presidents. In 2013, the Chancellor requested that the requirements be expanded to include an annual audit of the travel and entertainment expenses incurred by each institution's executives. This audit was performed to fulfill that requirement for UTPB.

Audit Objectives

The purpose of our audit was to determine whether:

- Appropriate policies and procedures of the UT System and UTPB were followed in the expenditure of travel and entertainment funds by UTPB executives.
- Expenditures were for an appropriate business purpose in regard to the mission of UTPB.
- Transactions were processed in a timely manner, were properly approved, and supported by appropriate documentation.

Scope and Methodology

Our audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. We reviewed a sample of travel and entertainment transactions for selected UTPB executives for the period of September 1, 2014 through August 31, 2015. Our audit included the following procedures:

- Gained an understanding of the travel and entertainment expenditure process through interviews.
- Reviewed policies and procedures regarding travel and entertainment expenditures.
- Tested travel and entertainment expenditures for required attributes.
- Reviewed allowable and unallowable expenditures that can be charged to the different accounts.

Those UTPB executives selected for inclusion in this audit consisted of the following management personnel who reported directly to the President during the 2015 fiscal year:

Provost and Vice President for Academic Affairs
Vice President for Business Affairs
Director of Athletics
Director of Communication and Special Projects
Director of Continuing Education
Executive Director for Development
Director of Information Resources Department

Ranking Criteria

All findings in this report are ranked based on an assessment of risk factors, as well as the probability of a negative occurrence if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority – An issue identified by an internal audit, if not addressed immediately has a high probability to 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.

Current Year Audit Results

We found that out of 70 transactions reviewed (55 travel and 15 entertainment), we noted some minor exceptions which included the following:

- 6 instances where the official occasion expense form was signed by an individual not authorized to do so according to UTPB policy.
- 9 instances where credit card receipts, but not detailed receipts, were provided.
- 6 instances where gratuity limits were not followed.
- 3 instances where reimbursements were not processed timely.

Assessed Level of Risk: Low

The total dollar impact of these items was negligible, and calls for no reimbursement to UTPB. Based upon the results of our testing, we found that, overall the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

Recommendation

Subsequent to the end of the 2015 fiscal year, an email reminder was sent to all employees of the travel and entertainment policies and restrictions. We recommend that UTPB continue to remind all employees of travel and entertainment policies on a regular basis, and to include the items noted above. This is especially important due to normal and ongoing staffing changes over time.

Management Response

We will send a reminder to all faculty and staff employees.

Implementation Date:

September 30, 2017

Person Responsible for Implementation

Mark McGurk

Status of Prior Year Findings and Recommendations

We followed-up on the recommendations and management's response from the previous year's audit report. Management sent out an email to remind employees of institutional travel and entertainment policies on September 21st, 2015. See *Appendix A* for detailed results. For updated management responses and implementation dates please refer to *Current Year Audit Results*.

Conclusion

While we noted some minor exceptions, based upon the results of our testing, we found that, overall the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

APPENDIX A

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

No.	Finding	Recommendation	Status
1.	<p>We found that out of 66 transactions reviewed (44 travel and 22 entertainment), 12 transactions (18%) contained one or more exceptions, of which we noted 13 exceptions in total, summarized as follows:</p> <ul style="list-style-type: none"> • 4 instances where a gratuity was in excess of the authorized limit of 15% before taxes when using institutional funds, per UTPB policy • 1 instance of a reimbursement being slightly over-calculated • 5 instances where no detailed receipts were provided, only credit card receipts indicating total amount paid • 3 instances where reimbursements were not processed timely between 2-8 months after the transactions. 	<p>Recommendations:</p> <ul style="list-style-type: none"> • All individuals that incur meal expenses should be made aware of the UTPB policy on gratuity limits. The current policy limits gratuities to 15% before taxes when using institutional funds. • When any type of credit cards are used and only total amounts are indicated on the receipt, itemized receipts showing the detail of the transaction should be obtained in addition to the credit card receipt. Without such detail, there is no method to verify items purchased and the total amount paid before taxes. • Reimbursement requests should be submitted and processed in a timely manner, preferably within 30 days after the transaction <p>Management Response: Management concurs with the recommendations. Our action plan follows:</p> <ul style="list-style-type: none"> • Review travel and entertainment guides and update/clarify as deemed appropriate. • Send an update email to all faculty and staff to remind them of institutional travel policies. The update will specifically address the recommendations and provide a link to the University travel policies. 	<p>Implemented. Management sent out an email to remind employees of institutional travel and entertainment policies on September 21st, 2015.</p>