



UNIVERSITY OF
TEXAS
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Internal Audit Report
Travel Department Process Review
January 2019

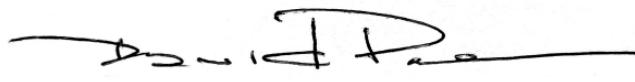
Distribution – Travel Department Process Review

To: Vistasp Karbhari *President*
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From: David Price *Chief Audit Executive, Office of Internal Audit, UTA*



cc: Jean Hood *Vice President for Human Resources, UTA*
Jennifer Chapman *Executive Director, University Compliance Services, UTA*
Stephanie Scott *Associate Vice President/Controller, Accounting Services, UTA*
Carolyn Record *Assistant Vice President, Accounting Services, UTA*

Auditor in Charge:

Yoram Kappel *Senior Internal Auditor, UTA*

Background, Objective And Scope - Travel Department Process Review

Background

Over the past three years, UTA's annual travel expenditure averaged \$5.59 million. These expenses include travel for UTA faculty, staff and student travel. Foreign travel makes-up almost one-quarter of the annual expenses.

Procurement & Disbursement Services (Procurement Services), under the direction of the Associate VP for Business Affairs and Controller, is responsible for reviewing travel & entertainment (T&E) expense reimbursements. Additionally, Procurement Services responds to questions, provides support and training related to T&E.

New UTA staff receive general orientation training related to reimbursement procedures for T&E expenses.

While T&E activities may vary between the UT Share campuses, these activities are governed by a single technology implementation. All procedures are available on the UTA intranet.

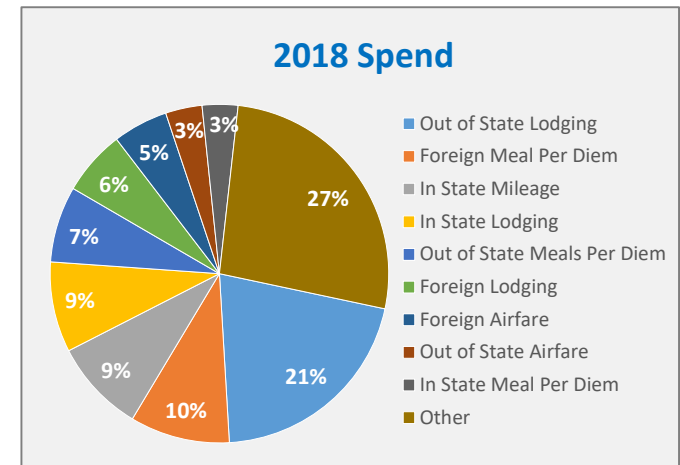
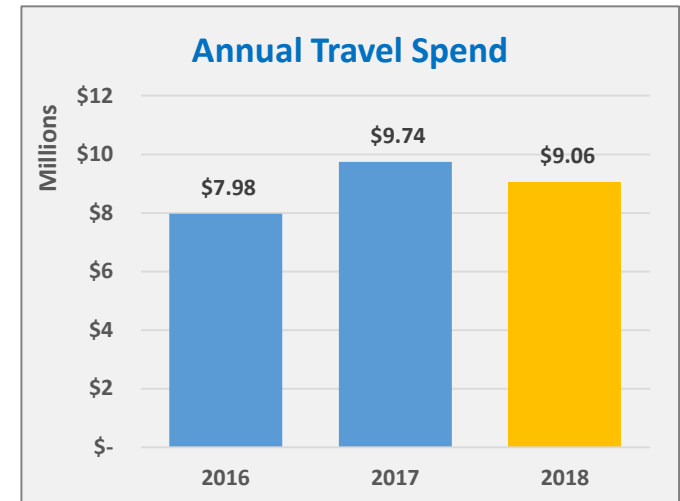
Audit Objective

Assess the effectiveness of processes governing T&E expenditure activities, including policies & procedures, staff familiarity and training.

1. Procedure & Practice Assessment
2. Travel Expenditure Compliance
3. Entertainment Expenditure Compliance

Audit Scope

The audit scope included a review of the T&E procedures and processes. Key personnel from Procurement Services and other departments were interviewed. A sample of T&E expense reimbursements, as well as requests for exceptions (exception report submissions) were reviewed. An employee survey was used to gauge familiarity and application of T&E procedures. The coverage period was from July 1, 2017 through June 11, 2018. The sampling methodology included both random and judgmental sampling.



Ranking Criteria

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 these rankings are as follows:

Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

We did not identify findings considered to be "Priority" within this internal audit engagement.

Summary – Travel Department Process Review

Summary

Overall, our assessment determined that UTA has established extensive T&E procedures, of which employees have an adequate understanding. Practices are largely in compliance with these procedures. However, the following opportunities for improvement are available within: training facilitation, communication mechanisms, procedure guidance, data analysis and limiting discretion over exception approval.

To address these opportunities, several recommendations are included within this report. This includes: targeted training or communications (driven in part by data analysis), development of supplementary guidance materials, adopting a consistent meal reimbursement policy for all departments, continuous compliance/audit activities, and revision to exception reporting allowances and determination.

We appreciate the courtesy and cooperation received from the Procurement Services staff and other departmental staff involved throughout this audit.

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Observations

2 Medium

3 Low

Strengths



Knowledgeable Staff



Accessibility to resources, support



High level of compliance



Availability of documentation

Increasing expense report exception submissions may indicate trends to be addressed and burden the travel authorization process

As outlined below, UTA travelers are provided an avenue to request exceptions to the T&E Expenditure policies. Over the past three years, an average of 1,400 exception requests were processed annually. See chart 1 for details.

Procedure 2-86-2, Section II

There may be occasions when employees want to request an exception to some portion of the travel rules. Exceptions to any of the travel and entertainment policies must be documented in writing and final approved by the Associate Vice President for Business Affairs and Controller.

Exceptions are broadly defined within UTA procedure, increasing subjectivity over what is considered an appropriate/allowable exception and may be contributing to excessive submissions.

Testing identified significant increases in expense report exception submissions. These increases may be an indication of:

- Inappropriate requests for exception – such as an exception being sought for a matter that is covered by current procedure. For example, testing identified four exceptions for expired or unapproved travel authorizations (TA), and one exception for circumstances which were not beyond the traveler’s control; and/or
- Procedural insufficiency – procedures do not accommodate current operations, thereby requiring staff/travelers to seek exceptions.

Excessive submissions and the subjective nature of the evaluation may increase the difficulty and time required in appropriately and consistently evaluating submissions. Moreover, there may be increased risk of error and opportunity for determinations to be contested.

Recommendation:

1. Using exception request information, UTA T&E procedures should be refined to minimize potential for subjectivity in exception approvals, and better guide when an exception submission may be used and what support is required for validation. UTA should not approve exceptions that are contradictory to minimal procedures such as spending over GSA limits.
2. Investigate the Business Affairs Exception Tracker (BAET) functionality to limit users from submitting an exception request for reasons outside of the revised procedure and without all necessary attachments. Additionally, consider development of a User Productivity Kit (UPK) guide to help improve adherence of exception submissions. If current system limitations cannot facilitate this functionality, prepare a cost/benefit analysis for procurement and implementation of a more robust and capable system.
3. Perform regular analysis of exceptions submission data to identify trends.

Chart 1 – Exceptions Data

Chart 1 – Exceptions Data				
Counts	2015*	2016	2017	2018
Approved	696	1,139	1,761	1,343
Rejected	21	60	123	100
Requested		3	8	15
Not Yet Requested	7	6	11	5
Total	724	1,208	1,903	1,463
Approval Rate	96%	94%	93%	92%
Growth 2015-18	102%			
<i>Stratified by Academic Year (September – August)</i>				
<i>*Business Affairs Exception Tracking (BAET) was implemented Oct, 2014. Therefore 2014 represents only 11 months (Oct-Aug).</i>				

Observation 1 – Exception Request Increases

Medium

Management Response/Target Implementation Date:

1. The volume of recent exception requests has drastically decreased, averaging approximately 2-3 per day. Procurement and Payment Services does not want to encourage exceptions by detailing exception validation within the Travel & Expense procedures. Procedures will be reviewed for any necessary updates by August 1, 2019.
2. The exception type selections within the BA exception tracker have been expanded in order to identify gaps in training and approval thresholds. Procurement and Payment Services will continue to review exceptions and exception tracker in order to minimize exceptions submitted. A guide will be developed by February 1, 2020.
3. Exception submissions will be analyzed at least annually to identify trends and opportunities for additional training. Regular analysis will begin by August 1, 2019.

Responsible Party:

Sr. Director of Procurement and Payment Services and Executive Director of Business Technology Services

Training resources do not target common areas of difficulty/complexity and are underutilized by UTA employees

T&E expenses training is not mandatory and monitored for regular (e.g. annual) attendance/performance by UTA employees commonly involved with travel and expense submission activities. We observed:

- Business Technology Services facilitates a regular basic travel and expenses training class. These sessions are not mandatory and may not address key areas of difficulty, such as procedural difficulties.
- The Procurement Services presents specific training on foreign, domestic and non-overnight travel. These sessions are not mandatory and are only facilitated by departmental request.
- Departmental administrators are not generally aware of, or making use of, the available online UPK guides.

Lack of training attendance and extended lapses between re-training activities may increase scope for submissions errors, increase reliance on and timing required in review, and potential for overstated reimbursement.

Recommendation:

While we recognize regular foundation training is facilitated by Business Affairs, we recommend formal T&E expenditure reimbursement training sessions be facilitated, at least annually by Procurement Services. This training should:

- Be driven (in part) by trends and other analysis identified within exception reporting data to address more specific difficulties experienced by staff.
- T&E training be mandatory for Procurement Services staff, Department Administrators and other staff regularly involved in performing T&E expenditure submission activities. All training attendances should be documented and maintained within a central system.
- Reiterate the availability of online UPK's for general guidance on preparing travel authorizations and expense reports within training.

To further support procedure adherence and effective training, we recommend continuous review and consultation activities be performed to assist in the early identification and correction of exceptions. Continuous review activities may include reviewing a sample of traveler's expense documentation to ensure accuracy and compliance. Additionally, this review should include ongoing data analysis of potential duplicate T&E expenditure reimbursements and exceptions data, as well as a review of training documentation.

Management Response/Target Implementation Date:

- Procurement and Payment Services management will work with Business Technology Services to analyze expense data to identify travel training needs by February 1, 2020.
- Procurement and Payment Services will work with Compliance Services to add relevant travel questions to the compliance training that is required annually by all UTA employees by August 1, 2019.
- Procurement and Payment Services management will work with Business Technology Services to create a training solution to provide mandatory travel and expense training institution wide by February 1, 2020.
- Procurement and Payment Services will work with the Office of Compliance Services to develop a monitoring plan by August 1, 2020.

Responsible Party:

Sr. Director of Procurement and Payment Services and Executive Director of Business Technology Services

Observation 3 – Policy Consolidation and Communication

Low

Opportunities may be available to further consolidate current policy and improve communication and awareness of policy

UTA's T&E expenditure reimbursement procedures may be difficult to follow - contributing to discontent amongst travelers and reviewers. During testing and survey evaluation, we observed the following:

Procedure		Observation
2-81-2	Informs employees where to book airfare and car rental.	Procedure 2-81-2 is not cross-referenced to Procedure 2-89-2. Both provide guidance on air and ground transportation. Cross-referencing these two procedures is needed as Procedure 2-89-2 provides the specific reimbursement criteria often necessary in selecting transportation options.
		Frustration can arise when travelers find lower airfares outside of the prescribed Corporate Travel Planners (CTP)/ Anthony Travel Inc. (ATI) options. Many travelers believe they are not allowed to book airfare outside of CTP/ATI. However, exceptions can be granted in advance of purchase for not using CTP or ATI in situations where it makes financial sense. As long as the flight options are comparable (dates, times, etc.), Business Affairs can approve purchasing air travel outside of CTP/ATI. Additionally, the UT System supplier agreement does not forbid this practice. It allows travelers to use alternative suppliers when CTP/ATI cannot offer a competitive airfare (within \$100).
2-86-2	Provides guidance on the allowances for meals, lodging and incidentals.	UTA does not have a fixed policy for claiming meal expenses. Departments have discretion to invoke <u>actuals</u> (up to GSA rate) or <u>per diem</u> basis for meal expense reimbursement. As a result, employees perceive inequities across departments.

Recommendation:

1. Consolidate travel procedures to provide clear and concise content.
2. Opportunities to more broadly and clearly communicate policy for ‘apples to apples’ advantageous airfare outside CTP/ATI should be considered to lessen potential misperception.
Communications should clearly state:
 - Alternative cheaper airfare is approved through exception request with appropriate support, including: an exact comparison with CTP/ATI flight number, date and time, departure and arrival locations, and CTP/ATI refusal to price match (if required); and
 - Potential for increased risk to the traveler and UTA by foregoing agency service benefits (e.g. no refunds and/or transfers, etc.).
*This is **not** available to federal funded travel seeking discounted airfare on a foreign carrier per the Fly America Act.*
3. We recommend considering adoption of the *actual* expenses (up to the GSA rate) approach as a fixed policy for meal expenditure across all departments to promote uniformity across UTA and help address perceived inequity and discontent with current locally funded procedure. Where these amounts are below the per diem rate, receipts may not be required, which may also help to reduce recording requirements.

While receipts are not required below the per diem rate within UTShare, Departmental Management will be responsible for the ensuring expense submissions are reasonable and appropriate, and may request supporting receipts for any expenses claimed. It is suggested that travelers maintain receipts in the event that a claim is reviewed.

Additionally, as non-overnight meals expenses will no longer be reimbursed and allowing these reimbursements will result in employees being taxed on these meals as income, consideration should be given to broadly communicating this to employees to help ensure tax impacts and policy changes are understood.

Management Response/Target Implementation Date:

1. Procurement and Payment Services is currently working on re-writing all travel policies to provide clear and concise content. Anticipated implementation date is August 1, 2019.
2. Procurement and Payment Services will implement a required form tailored to airfare purchases outside CTP/ATI/Concur to be completed by all employees who find alternative cheaper airfare, with the exception of federal funded foreign carrier airfares. Anticipated implementation date is May 1, 2019.
3. Procurement and Payment Services has considered adopting per diem or actual expenses and has discussed with upper management. Procurement Services has determined meal expenditures to be at the department management discretion for budget and operational purposes. Anticipated implementation date is not applicable.
4. On October 5, 2018, Procurement and Payment Services, through the BTS listserv, communicated that all non-overnight meals expenses will no longer be reimbursed and the tax impacts. Implemented in October 2018.

Responsible Party:

Sr. Director of Procurement and Payment Services

Observation 4 – Communication Mechanism

Low

Current communication mechanism may not be reliably received by all relevant staff

T&E expenditure reimbursement procedural updates and training opportunities may not be effectively communicated to all employees. During testing and survey evaluation, we identified that employees have a high reliance on Business Affairs email communications to maintain awareness of T&E procedural changes and training opportunities. However, emails are not received by all applicable staff that have not opted to receive or have previously opted out of receiving these notifications.

Staff may not be aware of, or effectively kept informed of, important travel and entertainment procedure updates as well as training opportunities, which may increase potential for inconsistent procedure application across UTA departments.

Recommendation:

We recommend that all procedure changes for UTA be sent periodically to all employees along with a summary. These alerts should be sent to help ensure awareness of procedural updates and training opportunities. Employees should not have permission to unsubscribe from procedure/training communications.

Attention should be given toward ensuring these distribution lists remain up to date.

Management Response/Target Implementation Date:

Procurement and Payment Services will identify the best method of communication available to communicate awareness of procedural updates. Anticipated implementation date is May 1, 2019.

Procurement and Payment Services will work with Business Technology Services to ensure awareness of training opportunities. Anticipated implementation date is August 1, 2019.

Responsible Party:

Sr. Director of Procurement and Payment Services and Executive Director of Business Technology Services

UTShare facilitation of Travel Authorization preparation does not system enforce or guide in UTA procedures

System enhancement opportunities exist to better guide employees toward preparing complete and compliant TAs. We observed the following limitations with UTShare’s facilitation of travel authorization and expense reporting preparation. Our observations broadly fall within two categories: Application and integration limitations.

Application limitation <i>Items that may inhibit efficiency in TA preparation and user friendliness</i>	Integration limitation <i>Items that may contribute to TA errors/rejection and subsequent exception submissions</i>
<ol style="list-style-type: none"> 1. TA amounts cannot be automatically populated as an estimate based on travel duration and location. 2. UTShare is not interfaced with CTP/ATI to streamline communication of TA’s and simplify bookings 3. UTShare does not provide immediate guidance to users regarding state and local funding policy requirements. 4. UTShare does not include ‘on-the-go’ expense recording, receipt capture, or expense report auto-population. 5. UTShare does not facilitate ‘on-the-go’ reporting functionality for travelers (e.g. current travel spend). 	<ol style="list-style-type: none"> 1. TA approvals are not automatically escalated prior to travel to ensure approval is performed. 2. UTShare does not enforce UTA procedures over user inputs (for example, per diem expense reimbursement requests must be consistent with GSA/DoD rates).

Recommendation:

We recommend investigating whether the above functionality can be configured within UTShare. In doing so, consideration should also be given toward the costs and benefits of implementing an alternative system to facilitate travel authorization and expenditure recording, as well as reporting in a more efficient and user friendly manner that enforces UTA procedures.

Management Response/Target Implementation Date:

Payment and Procurement Services will perform a cost benefit analysis in order to identify an alternative system to facilitate travel authorization and expenditure recording, as well as enhanced reporting. Anticipated implementation date is November 1, 2019.

Responsible Party:

Sr. Director of Procurement and Payment Services