



THE UNIVERSITY OF TEXAS  
**PERMIAN BASIN**

# Travel Card Audit

*Fiscal Year 2024*

*April 30, 2024*

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

# Travel Card Audit Fiscal Year 2024

## SUMMARY



### BACKGROUND AND OBJECTIVE

The University of Texas Permian Basin (UTPB) Travel Card Program provides an efficient way for employees to purchase lodging, transportation, meals, and incidentals when traveling on official UTPB business. The Program is in place to reduce the need for cash advances or employee reimbursements for travel expenses. However, the Program is not intended to allow cardholders to bypass travel or expenditure rules.

As of December 2023, there were 125 active UTPB travel cards. A total of \$2,323,055 was spent using UTPB travel cards in fiscal year (FY) 2023 and FY 2024 through December.

The Purchasing Office is the card program administrator, and the Accounting Office manages all payables. As such, these offices are responsible for implementing effective controls over card use. The objective of this audit was to determine whether internal controls are effective to ensure that travel card use complies with UTPB and State requirements. This audit was added to the FY 2024 internal audit plan as requested by executive management and approved by the UTPB Internal Audit Committee.

### CONCLUSION

**Management and oversight of the UTPB Travel Card Program is not fully effective in preventing and detecting non-compliance and ensuring all purchases made with a card are approved and paid. Enhanced monitoring and enforcement of policy, verification that all purchases are processed and approved, and clarification of card rules will help ensure cardholders understand and comply with card and travel rules, purchases are approved and paid timely, and potentially fraudulent use is identified and addressed promptly.**

### OBSERVATIONS

- |             |   |
|-------------|---|
| 1<br>High   | Updates to Travel Card policies, procedures, and training materials to clearly communicate card guidelines, align with travel policy, and reflect current expectations will reduce the risk of non-compliant card use.  |
| 2<br>High   | Improved monitoring of Travel Card purchases is needed to enforce compliance with card and travel policies and State travel rules.  |
| 3<br>High   | Ongoing monitoring of card transactions pending assignment to an expense report will ensure the cardholder acknowledges all card use, the cost center owner approves the purchases, and Accounting verifies compliance with policies and procedures so that payment can be made timely. |
| 4<br>Medium | Purchase of fuel for personal vehicles should be explicitly prohibited because the business-use and personal-use portions of purchased fuel cannot be accurately determined.  |

Management developed action plans to address these observations and anticipates implementation by September 30, 2024.

**High****Observation 1: Updates to Travel Card policies, procedures, and training materials to clearly communicate card guidelines, align with travel policy, and reflect current expectations will reduce the risk of non-compliant card use.**

Cardholders and their department budget heads are responsible for using cards in compliance with policies and for valid business purposes only. The foundation of preventive controls, which help ensure cardholders are sufficiently informed and educated on appropriate use, is clearly written and communicated policies and procedures. Detecting inappropriate or unallowed card use, addressed in Observation 2, facilitates enforcement of policy, which also can serve as an effective preventive control in preventing repeated misuse. Two relevant policy and procedure documents exist: UTPB Travel Procedures dated October 2022 (Accounting Office), and UTPB Travel Card Policies and Procedures dated April 2018 (Purchasing Office). Both are outdated and do not reflect current practices. For example, UTPB Travel Procedures (Accounting Office) refers to Corporate Individual Billing Account charge cards,<sup>1</sup> which are not currently in use by UTPB, and does not refer to the Travel Card program. Any policy statements related to employee reimbursements should be clearly indicated as also applicable to the use of Travel Cards. See Observation 4 regarding policy on the purchase of fuel with a Travel Card.

UTPB Travel Card Policies and Procedures (Purchasing Office) include several policy statements that do not align with current practices as determined in audit testing. For example, travel cards are to be used “only when in travel status (100 miles from home base).” However, approximately 17% of all purchases during the scope period were made locally (in Ector, Midland, and surrounding counties). The Travel Card Policies and Procedures also limit eligible cardholders to “travel arrangement personnel who are designated as such by the Vice President for Business Affairs,” “Admissions personnel who travel routinely and frequently...,” and “athletic coaches [...] for use when their team travels or for the coach’s recruiting.” “The Travel Card is not for Admissions or coach solo travel to conferences, etc.” These statements are outdated. In addition, the Travel Card Policies and Procedures clearly state that cards are to be used only for travel purposes, but also includes a list of disallowed items copied from the Procurement Card policy.

For Athletics coaches, UTPB Travel Card Policies and Procedures allow exceptions for certain non-travel use and purchase of travel-related expenses for others (teams). “Athletic coaches may be assigned a Travel Card for use when their team travels or for the coach’s recruiting. Exemptions can be made for coaches recruiting in the area. These cards may be used to purchase food and fuel only.” Athletics cards have been used extensively for items other than team travel expenses and food and fuel when recruiting locally. Examples of Athletics non-travel-related purchases include but are not limited to movie tickets, equipment, team clothing, camp and conference registrations, nutrition supplements for use on campus, and food/beverages for local events. Clarification of policies for Athletics use, if intentionally different than all other cardholders, is needed. If Athletics cardholders will not be allowed expanded use beyond what is explicitly stated in current policy, additional communication and training is needed.

Two master travel card accounts were created with the intended use of allowing different credit limits and controls for Athletics versus non-Athletics use.<sup>2</sup> However, the master accounts include a mixture of both types of cardholders. Reassignment of cards to the correct master account as originally intended would allow Purchasing to apply a different set of controls to Athletics use if policies for their use are intentionally different than those for card use by other departments.

<sup>1</sup> Corporate Individual Billing Account cards are billed to and paid by the employee, who must then seek reimbursement from the university. These cards are similar to an employee’s personal credit card except that there is no personal credit check and the card may only be used for official university business.

<sup>2</sup> Each card is assigned to a master account. Certain card controls, such as merchant class restrictions, can be set at the master account level.

**Observation I, Continued**

Two training programs were identified. First, cardholder training is required when the card is issued, outlining policies and the cardholder's responsibilities related to card use. The other training available to cardholders is specific to the steps for submitting travel authorizations and expense reports. Neither training materials communicate travel procedures related to state and federal rules, such as allowable expenses not to exceed daily allowances, use of institutional and state funds, same-day travel, Texas occupancy tax, etc. The travel authorization and expense report training materials include descriptions of the most common codes for non-travel/travel and pre-approvals, including a list of department heads whose approval is required, but both descriptions are related to acquiring goods and services using a procurement card, not payment of travel-related expenses using a travel card. Neither training materials clarify the allowability of purchasing meals for others, local purchases, event-related purchases, or any distinction between Athletics versus non-Athletics card use.

A lack of awareness or misunderstanding of policies and procedures among cardholders and department budget heads increases the likelihood of non-compliance. Clear and consistent policies, procedures, and training materials will help cardholders understand and comply with both card use and travel rules, allowing for effective monitoring and enforcement. Clarification in policy and training of any ongoing exceptions, such as local use by Athletics when recruiting or meal purchases made on behalf of others (student-athletes during team travel), will improve compliance by affected cardholders.

**Action Plan:** Accounting will review and update travel procedures, including Athletics-specific provisions and corporate travel card usage, and reconciliation requirements while referencing travel card policies and procedures. Purchasing will update travel card policies and procedures, including Athletics-specific exceptions, and collaborate with Accounting to develop training materials for policy communications.

**Target Implementation Date:** September 30, 2024

**Responsible Parties:** Assistant Vice President for Business Affairs and Controller, Assistant Controller, and Director of Purchasing



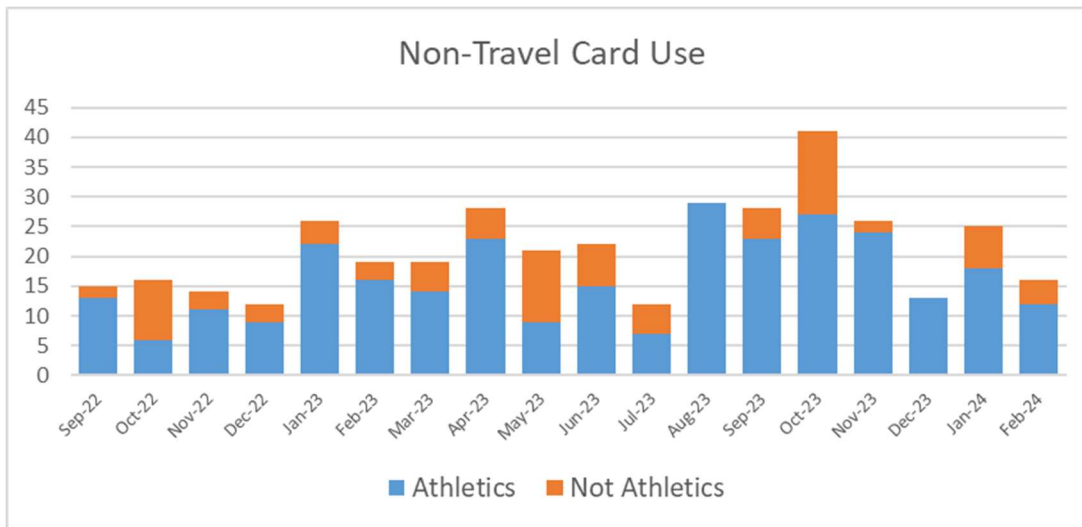
**High**

**Observation 2: Improved monitoring of Travel Card purchases is needed to enforce compliance with card and travel policies and State travel rules.**

According to the UTPB Travel Card Policies and Procedures, the “Accounting Office will review charges for appropriateness prior to payment.” As currently performed, they review to verify that supporting documentation exists; however, purchases and supporting documentation are not reviewed for compliance with card use or other travel policies. Any policy exceptions identified in this review should include the required approvals or be rejected and returned to the cardholder for correction. The UTPB Travel Card Policies and Procedures also states that “Purchasing will also review statements to ensure conformity to Purchasing and Card policies and procedures.” This review is no longer performed.

All card activity for fiscal year 2023 through December 2023 was obtained for audit testing. All purchases were judgmentally assigned as either travel-related, not travel-related, or grocery<sup>3</sup> by merchant class code (MCC) or merchant name (for those with non-travel-related MCCs) and were identified as local (Midland/Odessa) or not local to perform summary analysis and assist in additional testing of potential policy violations. Of note, 62% of total dollars not travel-related were by Athletics cardholders.

	Local	Not Local	Total
Travel-Related	\$ 211,557	\$ 1,936,792	\$ 2,148,349
Not Travel-Related	35,253	101,210	136,463
Grocery <sup>1</sup>	30,077	8,165	38,242
<b>Total</b>	<b>\$ 276,887</b>	<b>\$ 2,046,167</b>	<b>\$ 2,323,055</b>



Examples of purchases that were not travel-related include but are not limited to local venue charges for an event, Chartwells catering for a campus event, photo printing, books, subscriptions, memberships, craft items, entertainment, athletics equipment and clothing, and postage. As shown at left, the purchases that were not travel-related were predominately made by Athletics.

In November 2023, Purchasing implemented restrictions based on merchant class to better control non-travel use. Non-travel did appear to improve initially (in December 2023). However, additional analysis performed for January and February 2024 indicates that the improvement was not sustained.

<sup>3</sup> Grocery purchases were excluded from the summary analysis because of difficulties in determining their relation to past travel. Supporting documentation for each individual grocery store purchase would need to be reviewed to determine whether non-grocery/non-travel items were purchased, gain context from other purchases made on the same date (e.g., snacks purchased locally for team bus travel), and determine whether an associated travel authorization exists. Grocery purchases represent only 1.6% of all purchases for the period reviewed.



**Observation 2, Continued**

Additional data analysis and sampling was performed to determine whether other types of policy violations occurred, including the purchase of meals over allowed per diem rates, meals purchased without an overnight stay, payment of Texas lodging tax, travel authorization prior to travel, and fuel purchases when the employee also requested mileage reimbursement (see Observation 4).

	Sample Size	Number of Exceptions
Meals-Over Per Diem	60 travel days	16 (27%)
Meals-No Overnight Stay *	33 meals	17 (52%)
Texas Lodging Tax	5 trips	3 (60%)
No prior travel authorization **	5 trips	1 (20%)
Fuel purchases with mileage reimbursement	See Observation 4	

\* The sample was selected from only meals purchased in Ector, Midland, and surrounding counties. Athletics staff were excluded from this analysis (see Observation 1).

\*\* Several additional instances of no travel authorization or travel authorization obtained after the start of travel were identified in another engagement performed recently by Internal Audit.

Further analysis of all available travel authorization data was performed and identified 60 travel authorizations approved after travel occurred and 52 approved on the first day of travel. UTPB Travel Procedures state, “Travel Authorizations must be completed at least 5 days prior to travel.”

Timely monitoring of travel card activity will aid in detecting card misuse, whether intentional or not, enable enforcement of policies and State rules, and help identify areas in which additional training of cardholders is needed. Additional preventive controls such as restriction of certain merchant class codes (MCCs) may improve compliance but will also present additional administrative burden should merchants be assigned an incorrect code.

**Action Plan:** Accounting will improve oversight of travel card purchases and documentation within expense report reviews to ensure policy compliance, promptly notifying cardholders of any violations for corrective measures. Through collaboration with Purchasing, we will strengthen monitoring protocols, mirroring those employed for overseeing procurement card usage. Additional MCC restrictions will be evaluated following the implementation of these monitoring measures.

**Target Implementation Date:** September 30, 2024

**Responsible Parties:** Assistant Vice President for Business Affairs and Controller, Assistant Controller, Director of Purchasing, and Accounts Payable Supervisor



High

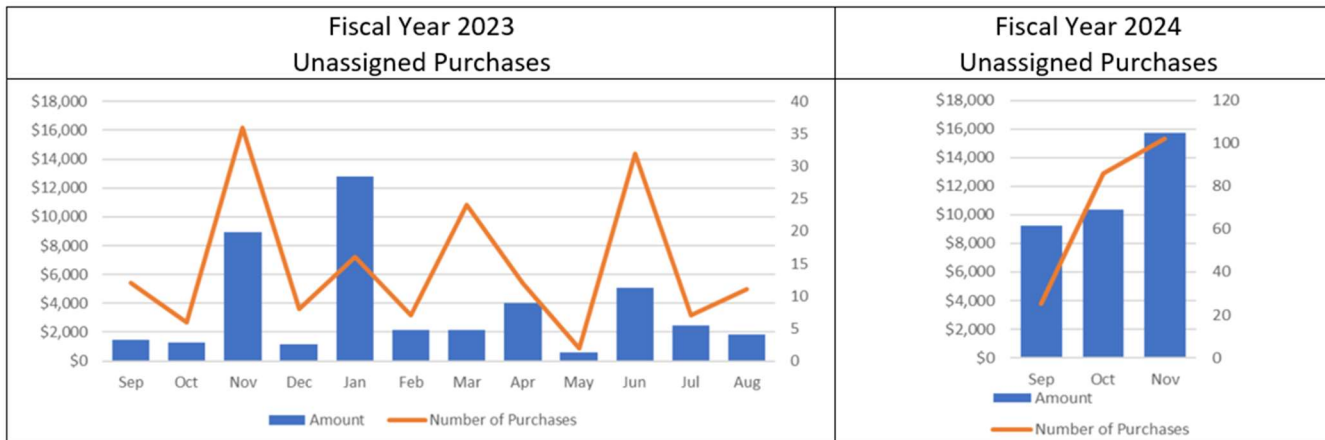
**Observation 3: Ongoing monitoring of card transactions pending assignment to an expense report will ensure the cardholder acknowledges all card use, the cost center owner approves the purchases, and Accounting verifies compliance with policies and procedures so that payment can be made timely.**

Purchases made on a travel card are transmitted weekly by the bank and loaded into PeopleSoft by Accounting. Once in PeopleSoft, purchases must first be assigned to an expense report before the cardholder can upload supporting documentation. Once the cardholder submits the expense report, the purchases can be reviewed and approved. There are two opportunities for a purchase to not reach final review and approval: purchases not transferred from the bank and purchases successfully transferred from the bank but not assigned to an expense report.

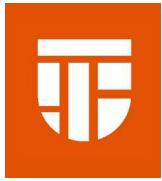
Analysis of purchasing data obtained directly from the bank identified 189 purchases that were not successfully loaded to PeopleSoft. The majority (78%) are from four cardholders. We cannot determine the reasons this may have occurred and understand that the timing of file uploads to PeopleSoft can impact this process, as can errors in cardholder profiles in PeopleSoft. There is currently no process for detecting and handling transactions not transferred from the bank; Accounting relies upon cardholders to report any missing purchases.

When a card is assigned, the cardholder acknowledges their responsibility to reconcile travel card statements following UTPB policies and procedures. Policy requires that this reconciliation occur by the 20th of each month. This involves creating an expense report, assigning card purchases uploaded from the bank to the expense report, attaching supporting documentation, submitting the expense report for approval by the applicable department or budget head, and review/approval by Accounting. As part of the required reconciliation, cardholders are expected to identify any purchases that were not uploaded from the bank, thus not available to assign to an expense report, and notify Accounting of the error. This does not always occur. Accounting does have a process in place to document total outstanding balances per month; however, the process as currently designed does not include monitoring to ensure that all purchases have been uploaded and assigned to an expense report.

Analysis of transactions loaded to PeopleSoft from the bank was performed to identify any purchases loaded during the scope period but not assigned to an expense report. As illustrated below, 173 purchases totaling \$43,831 were made in fiscal year 2023 but remained unassigned at the time the analysis was performed. For fiscal year 2024, 213 purchases totaling \$35,303.37 were past their required reconcile-by date and were unassigned. The list of transactions not yet assigned to an expense report at the time of the audit was provided to Accounting.



**Observation 3, Continued**



A PeopleSoft report is available to identify transactions without expense report assignments. The report includes cardholder names and can be used to improve the process of identifying and notifying cardholders of transactions not yet assigned. In addition to the report, notification to cardholders of these overdue credit card transactions can be created and distributed by PeopleSoft upon request to UT System Shared Information Services.

Ongoing reconciliation of travel card activity not yet assigned to an expense report will aid in timely review and approval of purchases so that errors, fraudulent transactions, or other non-compliance such as missing supporting documentation can be detected and corrected, and payment can be made timely.

**Action Plan:** Accounting will engage in Travel Business Process walkthrough with UT System Shared Information Services to grasp the bank-PeopleSoft interface, essential for crafting a monitoring process. This process aims for timely assignment of credit card transactions to expense reports by cardholders, accompanied by notification for overdue transactions.

**Target Implementation Date:** September 30, 2024

**Responsible Parties:** Assistant Vice President for Business Affairs and Controller, Assistant Controller, and Accounts Payable Supervisor



**Medium****Observation 4: Purchase of fuel for personal vehicles should be explicitly prohibited because the business-use and personal-use portions of purchased fuel cannot be accurately determined.**

Fuel purchased with travel cards exceeded \$50,000 for the period reviewed. Based on discussion with responsible parties and an expense review performed as part of another engagement, use of travel cards to purchase fuel for personal vehicles happens regularly and has not been explicitly prohibited in the past. UTPB policy is unclear on this matter. Although it clearly states that reimbursement of mileage is inclusive of all expenses associated with using a personally owned vehicle other than tolls or parking, the policy addresses only mileage reimbursement requirements and does not address travel card use for fuel.

Texas Government Code (TGC) §660.041 prohibits the payment of any expense of operating a personally owned vehicle other than mileage, tolls, and parking. Although this specific provision applies only to appropriated funds, the Texas Constitution, Article 16, Section 6, is clear that no public funds can be used for “private or individual purposes.”

Using both travel card activity and mileage reimbursements as recorded in PeopleSoft, a sample of four fuel purchases were judgmentally selected for testing based on the possibility that an employee received mileage reimbursement for the same miles for which fuel was purchased using the travel card. All four were confirmed. Mileage reimbursement includes all expenses of operating a personal vehicle, including fuel. The total duplicate fuel expense for the sample of four is \$506. Purchasing was provided information on the specific cardholders and expense reports affected, and is working with these cardholders to collect reimbursement.

If enforced, a clear policy requiring mileage reimbursement rather than purchase of fuel when a personally owned vehicle is used will ensure no funds are spent for personal fuel use and reduce the risk of duplicate expenses (i.e., purchase of fuel and mileage reimbursement for the same personal vehicle use).

**Action Plan:** Accounting will revise travel procedures to specify that mileage reimbursements cover fuel expenses for personal vehicles during business uses, in accordance with state policies. Additionally, corporate travel cards should be used solely for purchasing fuel for rental or UTPB owned vehicles. Subsequently, Purchasing and Accounting will collaborate to communicate these policies and procedures regarding fuel purchases and the mileage reimbursement process to the campus community and during travel training.

**Target Implementation Date:** September 30, 2024

**Responsible Parties:** Assistant Vice President for Business Affairs and Controller, Assistant Controller, Director of Purchasing, and Accounts Payable Supervisor

# Travel Card Audit Fiscal Year 2024

## METHODOLOGY



This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The UTPB Office of Internal Audit is independent per GAGAS requirements for internal auditors.

**Scope & Procedures:** The scope of the audit included policies, procedures, and activities in place at the time of the audit. Travel card use September 1, 2022 through December 31, 2023, was used for testing. Procedures included review of available documentation, discussion with knowledgeable staff, walkthroughs of travel card transaction processes, and testing of travel card use to determine whether control procedures are effective and consistently followed. Audit procedures were conducted between January and March 2024. We will follow up on action plans in this report to determine their implementation status. Any requests for extension to the implementation dates for observations rated Priority or High require approval from applicable executive officer. This process will help enhance accountability and ensure that timely action is taken to address the observations.

### Observation Ratings

<b>Priority</b>	An issue or condition that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole.
<b>High</b>	An issue considered to have a medium to high probability of significant adverse effects to UT Permian Basin as a whole or at the college/department/unit level.
<b>Medium</b>	An issue considered to have a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level.
<b>Low</b>	An issue considered to have minimal probability of adverse effects to UT Permian Basin either as a whole or at the college/department/ unit level.

### Criteria:

- Texas Government Code Chapter 660: Travel Expenses
- Texas Administrative Code §5.22: State of Texas Travel Guidance
- UTPB Travel Procedures (Accounting Office) and UTPB Travel Card Policies and Procedures (Purchasing Office)
- U.S. General Services Administration per diem rates in effect at time of travel: <https://www.gsa.gov/travel/plan-book/per-diem-rates>

### Report Distribution:

To: Cesario Valenzuela, Senior Vice President for Business Affairs and Chief Financial Officer  
cc: Dr. Sandra K. Woodley, President  
UT Permian Basin Internal Audit Committee  
External State of Texas Agencies (State Auditor, Legislative Budget Board, Governor's Office)