



UNIVERSITY OF
TEXAS
ARLINGTON

EXECUTIVE TRAVEL AND ENTERTAINMENT EXPENSES AUDIT

SEPTEMBER 18, 2013

INTERNAL AUDIT DEPARTMENT
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MEMORANDUM

TO: Dr. Vistasp M. Karbhari
President

FROM: Ken Schroeder *Ken Schroeder*
Director of Internal Audit

DATE: November 19, 2013

SUBJECT: Executive Travel and Entertainment Expense Audit Report
Dated September 18, 2013

Executive Summary

We have completed the Executive Travel and Entertainment Expense audit as included in our FY 2013 annual audit plan. The objective of this audit was to determine whether executive travel and entertainment expenses are appropriate, accurate and comply with UT System and UT Arlington policies and procedures as well as federal and state laws and regulations.

Travel policies and procedures appear to be adequate and in compliance with federal and state laws and regulations. Our tests indicated that there were instances where the policy and procedures were not followed, such as Washington, D.C. travel not properly documented in DEFINE; prohibited alcohol purchases; and non-acceptance of the lowest-offered airfare. There were other instances where policy and procedures require updating, such as on the topics of proper delegation of authority to lower level administrative staff and the requiring of itemized receipts and conference agendas.

We appreciate the courtesy and cooperation we received from Procurement Services, the Accounts Payable Department, DEFINE Administration, and the various executives contacted during the audit. If you have any questions, please contact me at extension 2-2018.

cc: Dr. Ronald Elsenbaumer, UT Arlington, Provost and Vice President for Academic Affairs
Ms. Kelly Davis, UT Arlington, Vice President for Business Affairs and Controller
Mr. John Hall, UT Arlington, Vice President for Administration and Campus Operations
Ms. Julia Cornwell, UT Arlington, Director of Procurement Services
Mr. Paul Goynes, UT Arlington, Director of Accounts Payable
Dr. Pedro Reyes, UT System, Executive Vice Chancellor for Academic Affairs
Mr. Alan Marks, UT System, Attorney – General Law Section
Mr. J. Michael Peppers, UT System, Chief Audit Executive
Ms. Moshmee Kalamkar, UT System, Audit Manager

MEMORANDUM: November 19, 2013

SUBJECT: Executive Travel and Entertainment Expense Audit Report Dated
September 18, 2013

Mr. Ed Osner, Legislative Budget Board
Mr. Jonathan Hurst, Governor's Office of Budget, Planning and Policy
Internal Audit Coordinator, State Auditor's Office
Mr. Ken Levine, Sunset Advisory Commission
Report File

Background Information

Since fiscal year 2007, Regents' *Rules and Regulations 20205* "Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences" required annual audits of the Chancellor's and Presidents' travel and entertainment expenses. To further efforts at improving transparency and accountability, the Chancellor requested that this audit be expanded to include the travel and entertainment expenses of all UT System executives beginning with fiscal year 2013. University guidance for reimbursement of travel and entertainment expenditures is provided by the following:

- Procedure 2-75: Allowable Expenditures Does not Apply to State Accounts
- Procedure 2-80: Request for Travel Authorization and Obtain Permission to Travel
- Procedure 2-81: Travel Services
- Procedure 2-83: International Travel
- Procedure 2-86: Meals, Lodging, Incidental Expenses and Other Fees for Travel for State and Local Funds
- Procedure 2-87: Travel for Persons Other Than Faculty and Staff Does Not Apply to State Accounts
- Procedure 2-89: Transportation Does Not Apply to State Accounts
- Procedure 2-90: Completing Required Documentation for Travel Reimbursements
- Procedure 4-26: Reimbursements and Payments Other than for Travel and Purchase Orders
- Various federal, state, and UT System travel related policies, rules, and regulations

Objectives

The objective of this audit was to determine whether executive travel and entertainment expenses are appropriate, accurate and comply with UT System and UT Arlington policies and procedures as well as federal and state laws and regulations. The overall objective included several other key sub-objectives:

- To identify and test travel and entertainment payments made on behalf of the executive
- Determine if the airfares associated with the sampled trips were in compliance with state regulations
- Determine whether variances existed in spending patterns of selected executives

Scope and Methodology

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and

performance of audit work, and management of the internal auditing department. UTS 129 titled "Internal Audit Activities" require that we adhere to the *Standards*.

To achieve the audit objective, we reviewed the relevant UT System/UT Arlington policies and procedures as well as related federal and state laws and regulations. We also received input from the Division of Business Affairs, Procurement Services Department and Accounts Payable Department. We used documents from IVAULT (UT Arlington's accounting document repository) and DEFINE (University's accounting system) reports and tested the following attributes:

- Expenses properly supported
- Mathematically correct
- Contained proper account and object codes
- Contained proper approvals
- Within allowable limits
- Filed timely
- No prohibited items
- Contained justifiable business purpose
- Properly recorded
- Approval received prior to travel (VE5)
- In accord with policy & procedure
- State/government hotel rate standards followed when applicable
- State airfare rates

The scope of this audit included executive travel and entertainment expenses generated from April 1, 2012 to March 31, 2013. For purposes of the audit, the executive population was defined as management employees with the title of Vice President through Chairpersons, and the total population selected for review was 93. Travel related expenditures for the executive population under review during the audit timeframe was \$538,952.13. We selected a sample of 10 executives from the population based on spending. In order to ensure diversity in the sample, we selected five Vice Presidents, three Deans, and two Chairpersons. This group spent \$166,704.47 on travel, which equated to 31% of the total. From the sample group, we reviewed 30 travel-related reimbursements for a total of \$88,316.75 of the \$166,704.47. We also examined 30 entertainment-related reimbursements for a total of \$5,426.37.

Audit Results

Delegation of Authority

A Chairperson's travel authorizations and expense reimbursements were approved by the "Assistant to the Dean" of the College of Engineering. Although a delegation of authority form is on file for the "Assistant to the Dean," the Dean should be the authorizer of travel and

approver of employee reimbursements to avoid inappropriate purchases. University procedure does not specifically address this issue.

1. **Recommendation:**

The Vice President for Business Affairs and Controller should develop a formal delegation of authority matrix that defines and limits the authority that can be delegated to subordinates.

Management Response:

A formal delegation of authority matrix will be designed by the VP for Business Affairs and Controller.

Target Implementation Date: November 30, 2013

Responsible Party: Vice President for Business Affairs and Controller

Inadequate Supporting Documentation

Documentation to support reimbursements was not always adequate which could have led to inappropriate use of University funds.

- Although Procedure 4-26, “Reimbursements and Payments Other Than for Travel and Purchase Orders,” currently allows submission of non-itemized meal receipts for actual expenses, by just including the credit card receipt. We noted in four instances of items tested of which one was a credit card receipt for \$470 that was a dinner reimbursement with executive management. There is not sufficient detail to determine if prohibited items were included.
- Sixteen of 30 trips reviewed were conference-related and only two conference agendas were included in the respective supporting documentation. Although, procedure does not require the submission of conference agendas, a good business practice is to require employees attending conferences to submit agendas with supporting documentation. The agendas allow reviewers and approvers to specifically identify amenities (hotel rooms, meals, etc.) provided to conference attendees; consequently, avoiding overcharges to the University.

2. **Recommendation:**

We recommend that Procurement Services revise:

- Procedure 4-26 “Reimbursements and Payments Other Than for Travel and Purchase Orders,” to require employees who are reimbursed for actual meal expenses to submit itemized receipts as supporting documentation.
- Procedure 2-90 “Completing Required Documentation for Travel Reimbursements,” to require employees attending conferences to submit conference agendas as part of their travel supporting documentation.

Management Response:

Procurement Services will amend Procedure 4-26 to include the submission of itemized receipts as supporting documentation. Additionally, employees who review the documentation for meal expense reimbursements will be informed and trained to process under this new guideline.

Procedure 2-90 will also be updated to require university employees attending a conference to submit the conference agenda as part of the travel supporting documentation. Travel Services staff will be updated and trained on this new procedure.

Target Implementation Date: October 31, 2013

Responsible Party: Director of Procurement Services

Washington, D.C. Travel

Employees are not always obtaining proper pre-authorization for travel to Washington, D.C., which could lead to unauthorized contact between University employees and governmental officials. Procedure 2-80, “Request for Travel Authorization and Obtain Permission to Travel,” Section IV, B, states that when traveling to Washington D.C., section W “Washington D.C. Travel” in the DEFINE VE5 document must be completed regardless of the purpose of the trip. In two instances, section W was not completed by personnel in the Division of Business Affairs and the Office of the Vice President for Research.

3. **Recommendation:**

Appropriate department personnel in the Division of Business Affairs and the Office of the Vice President for Research should review Procedure 2-80 “Request for Travel Authorization and Obtain Permission to Travel” to ensure that section W is properly completed for all Washington D.C. travel when completing the VE5 screen in DEFINE.

Management Response:

- Division of Business Affairs: Travel Procedure 2-80 “Request for Travel Authorization and Obtain Permission to Travel” was reviewed by both the VP for Business Affairs and the Executive Assistant to the VP for Business Affairs.
- Office of the Vice President for Research: In reviewing the document Y1VE5992350, the destination was entered as Austin, however the VP5 destination was entered as Washington, thus the W section on the VE5 was not completed. Proper procedure would be to submit a VE6 for change of destination. This has prompted a more careful review and verification of destination of travel of future travel reimbursement documentation.

Target Implementation Date:

- Division of Business Affairs: September 30, 2013
- Office of the Vice President for Research: Immediately

Responsible Party:

- Division of Business Affairs: Vice President of Business Affairs and Controller
- Office of the Vice President for Research: Executive Assistant, Office of the Vice President for Research

Alcohol Prohibition

Employees are not always deducting alcohol purchases from travel expenses as required, which leads to increased costs to the University. Procedure 2-86 “Meals, Lodging, Incidental Expenses and Other Travel Fees for Travel for state and local funds” states that alcohol cannot be reimbursed on any travel budget code. During our testing, we noted two instances where alcohol was not deducted from travel expenses and was reimbursed to the employee.

4. **Recommendation:**

Travel Support Services should be more diligent when reviewing supporting documentation to ensure prohibited items are not included in expense travel reimbursements.

Management Response:

To ensure compliance with the established Procedure 2-86, Travel Services Staff will review all travel reimbursement documentation with a higher degree of detail to ensure that prohibited items and services are deducted from the travel expense and not reimbursed to the traveler.

Target Implementation Date: Immediately

Responsible Party: Director of Accounts Payable

Lowest Airfare

Procedure 2-81, "Travel Services", in accordance with Texas Government Code, Chapter 660, Subchapter A, Section 660.007, states that "state agencies must take proper steps to ensure that travel arrangements are the most cost effective." Additionally, the representatives from the travel agencies authorized by UT System to assist with travel arrangements are to "discuss and confirm the best lowest fare for one's travel itinerary." Our testing indicated that employees did not always accept the lowest airfare offered by Corporate Travel Planners (CTP) as required. We identified two executives who booked higher airfares than the lowest airfares offered. The differences were \$86 and \$705, respectively.

Discussions with these executives indicated that they had to accept the higher rate as they needed refundable tickets in the event that there were unexpected changes in schedules and travel plans. Further discussion with the V.P. for Business Affairs and Controller concluded that the purchasing of the refundable tickets, in the long run, can prove to be the most cost effective when one considers cancellation fees, etc. Thus, we recommend that a change be made to the policy to indicate the allowance of refundable tickets, even if at the time of purchase, they may not appear to be the lowest price.

5. Recommendation:

Procurement Services should revise Procedure 2-81 "Travel Services," Section IV: *Airfares* to include commentary which states that the traveler may accept the lowest *refundable* airfare offered by the university's contracted travel services, even if it is not the lowest airfare offered or available, in order to avoid unnecessary flight cancellation fees due to unexpected changes in travel plans. Revisions to the procedures should be in accordance with Texas Travel Regulations Act Chapter 660 of Texas Government Code, Sec. 660.093, *Commercial Air Transportation*.

Management Response:

The UT System has an exclusive Travel Management Services Agreement (“Agreement”) with Corporate Travel Planners, Inc. and Anthony Travel, Inc. The University of Texas at Arlington is required to use these travel agencies for all university related travel. In the Agreement it states that the agencies will offer the lowest available, UT System, State and other contracted airfares in accordance with UT System’s established travel policy.

Procurement Services proposes that Procedure 2-89, Section 1 be amended by adding the following verbiage: All airfare travel must be planned and conducted to achieve maximum economy and efficiency considering all relevant circumstances while complying with the guidelines set forth in this Procedure. The contracted travel agencies, Corporate Travel Planners (CTP) or Anthony Travel, Inc. (ATI) and approved online booking tool (Concur) will assist travelers and confirm the best possible airfare based on contracted pricing and individual travel needs.

Target Implementation Date: October 31, 2013

Responsible Party: Director of Procurement Services

Conclusion

Travel policies and procedures appear to be adequate and in compliance with federal and state laws and regulations. Our tests indicated that there were instances where the policy and procedures were not followed, such as Washington, D.C. travel not properly documented in DEFINE; prohibited alcohol purchases; and non-acceptance of the lowest-offered airfare. There were other instances where policy and procedures require updating, such as on the topics of proper delegation of authority to lower level administrative staff and the requiring of itemized receipts and conference agendas.

We appreciate the courtesy and cooperation we received from Procurement Services, the Accounts Payable Department, DEFINE Administration, and the various executives contacted during the audit.