



The University of Texas at Brownsville

FY 2013 Audit of Executive Travel and Entertainment Expenses

May 29, 2013



OFFICE OF INTERNAL AUDITS

The University of Texas at Brownsville

Norma L. Ramos, CIA, CGAP

Director of Internal Audits

May 29, 2013

Dr. Juliet V. Garcia, President
The University of Texas at Brownsville
80 Fort Brown
Brownsville, Texas 78520

Dear Dr. Garcia:

As part of our Audit Plan for fiscal year 2013, we completed the **FY 2013 Audit of Executive Travel and Entertainment Expenses** at The University of Texas at Brownsville. The objectives of this audit were to:

- Determine the reliability and integrity of travel and entertainment expenses for the executives of the University of Texas at Brownsville; and
- Determine compliance with the applicable policies, procedures, laws, and regulations.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal 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 internal auditing department. UTS 129 requires that we adhere to the *Standards*.

We appreciate the assistance provided by UTB's management and other personnel. We hope the information and analyses presented in our report are helpful.

Sincerely,

A handwritten signature in cursive script that reads "Norma L. Ramos".

Norma L. Ramos, CIA, CGAP
Director of Internal Audits

cc: *The University of Texas at Brownsville*

Dr. Alan F. J. Artibise, Provost and Vice President for Academic Affairs

Ms. Rosemary Martinez, CPA, Vice President for Business Affairs

Dr. Hilda Silva, Vice President for Student Affairs

Dr. Silvia Leal, Vice President for Enrollment Management

Mr. Irvine W. Downing, Vice President for Institutional Advancement and Economic Development and Community Services

Dr. Luis Colom, Vice President for Research

Dr. Clair Goldsmith, Vice President for Information Technology Services and CIO

Dr. Marilyn Woods, Chief of Staff, President's Office

UT System Administration

Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs, *Ad Interim*

Mr. J. Michael Peppers, Chief Audit Executive, UT System Audit Office

Ms. Paige Buechley, Assistant Director, UT System Audit Office



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Executive Summary

The 2013 approved audit plan included the Audit of Executive Travel and Entertainment Expenses at the University of Texas at Brownsville. Our audit was limited to interviews with departmental employees, and review of departmental records.

The objectives of the audit were:

- Determine the reliability and integrity of travel and entertainment expenses for the executives of the University of Texas at Brownsville; and
- Determine compliance with applicable policies, procedures, laws, and regulations.

Observations and recommendations for improvements were identified in the following areas:

Overpayments of travel reimbursements due to noncompliance with UTB HOP 10.5.1-

E. Requirements of Reimbursable Travel and

I. Reimbursement for Cost of Meals, Lodging & Incidental Travel Expenses

Executive:	Provost		Dean of Business		VP Research		VP CIO	
Observations for Travel Expenses:	Out of 6		Out of 3		Out of 8		Out of 5	
	<i>Instance</i>	<i>Amount</i>	<i>Instance</i>	<i>Amount</i>	<i>Instance</i>	<i>Amount</i>	<i>Instance</i>	<i>Amount</i>
Payment above allowed per diem hotel rate	1	\$7.90	1	\$111	4	\$337.48		
Non-reimbursable incidental travel expense			1	\$20	2	\$20	1	\$20
Under reimbursements due to calculation errors					2	\$21.90	1	\$2.98
Travel not timely submitted							1	N/A
Reimbursement of meals for personal days							1	\$132
Payment above allowed per diem meal rate							1	\$23
Total Over Reimbursement:		\$7.90		\$131.00		\$335.58		\$172.02

Internal Audits concluded that there were opportunities for improvements in internal controls over executive travel expenditures. Implementation of the recommendation made in this report will help to strengthen the current internal controls.



Background Information

The University of Texas System (UT System) Board of Regents' Rules and Regulations Series 20205 *Expenditures for Travel, Entertainment, and Housing by Chief Administrators* was approved on May 11, 2006. Since fiscal year 2007, The University of Texas at Brownsville (UTB) Audit Office has been conducting audits of the travel, entertainment expenses for which the President and her spouse have been reimbursed or that have been paid directly on their behalf.

As requested by Chancellor Cigarroa, the Office of Internal Audits is expanding the audit to also include travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the UTB executives beginning this fiscal year. All of the executives will be subject to review annually, but may not necessarily be chosen to be audited every year. The following executives were selected for review:

- Provost/Vice President for Academic Affairs
- Associate Provost
- Vice President for Research
- Vice President for Institutional Advancement and Economic Development and Community Service
- Vice President for Information Technology, Chief Information Officer
- Vice President for Business Affairs
- Vice President for Student Affairs
- Assistant Provost for Governmental Relations
- Dean for School of Business
- Dean for Graduate Office

Audit Objectives

The objectives of the audit were to:

- Determine the reliability and integrity of travel and entertainment expenses for the executives of the University of Texas at Brownsville; and
- Determine compliance with applicable policies, procedures, laws, and regulations.

Scope of Work

The nature and extent of our audit tests were as follows:

- We reviewed applicable policies and procedures, laws and regulations.
- We interviewed key personnel.
- The verification of selected travel, and entertainment expenses through inspection of supporting documentation.



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Our examination was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal 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 internal auditing department. UTS 129 requires that we adhere to the *Standards*.

Audit Results

The scope of this audit included travel and entertainment expenses reimbursed to, or paid on behalf of, the UTB executive officers during the period September 1, 2011 through August 31, 2012. Our audit included specified procedures requested by UT System Administration.

We tested a sample of 75 expenditures including 37 entertainment expenses by reviewing supporting documentation for appropriateness, validity, and approvals.

	<i>Amount</i>	<i>Transactions</i>
Travel	\$ 45,683.87	38
Entertainment	\$ 17,823.66	37
Total:	\$ 63,507.53	75

In addition, the following attributes were used as we reviewed each individual travel and entertainment expense:

- The approval process is in compliance with applicable rules, laws and regulations.
- Adequate supporting documentation was maintained for expenditures tested.
- An adequate and business purpose was well documented.
- Expenditures were mathematically accurate and properly recorded.
- Expenditures were within allowable limits.
- Expenditures were timely submitted.

Based on our review of entertainment expenses, sample selected met all mentioned criteria above.

Based on our review of travel expenses, we determined internal controls over expenditures need to be strengthened due to the following:

Provost and Vice President for Academic Affairs

- There was one instance of an over reimbursement of hotel expense:
 - **Travel dates: December 01-03, 2011.**
 - Lodging per state of Texas travel management program:\$106 Actual:\$109.95
Over:\$3.95(2 Nights)=\$7.90



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Vice President for Research:

- There were instances of over and under reimbursements for the following business trips:
 - **Travel dates: August 05 -08, 2012**
 - Lodging per state of Texas travel management program:\$96
Actual:\$118.15
Over:\$22.15(3 Nights)=\$66.48
 - Meals over reimbursed by \$5 for 3 days total of \$15. The \$5 is made up of the \$5 incidental (\$61 vs. \$56).

 - **Travel dates: July 16-17, 2012**
 - Lodging per state of Texas management program:\$169 Actual:\$289 Over:\$120 (2 Nights)=\$240. Incorrectly processed as a key official.

 - Taxi expense incurred but submitted for reimbursement \$20

 - **Travel dates: December 12-14, 2011**
 - Lodging per state of Texas management program:\$181 Actual:\$183 Over:\$2 (2 Nights)=\$4

 - **Travel dates: March 29-30, 2012**
 - Lodging per state of Texas management program:\$108 Actual:\$135 Over: \$27 (1 Night)=\$27
 - Meals over reimbursed by \$5 made up of the \$5 incidental (\$71 vs. \$66

 - **Travel dates: November 03-04, 2011.**
 - Wrong Object code used to classify in state travel
 - Taxes under reimbursed due to calculation error \$1.90

HOP 10.5.1

E. Requirements of Reimbursable Travel

The University will apply the travel rules and regulations promulgated by the State of Texas Travel Management Program for lodging, meals, and mileage reimbursement as outlined on the Purchasing Office website.

HOP 10.5.1

I. Reimbursement for Cost of Meals, Lodging & Incidental Travel Expenses

3. Other incidental travel expenses such as laundry, tips, medical, etc., are not reimbursable.

Vice President for Information Technology and Chief Information Officer

- There were instances of over and under reimbursements for the following business trip:
 - **Travel dates: June 26 – 28, 2011.**
 - Meals over reimbursed by \$175 made up of reimbursements of meals for personnel days and the \$5 incidental expense (\$71 vs. \$66)
 - Incidental expense **under reimbursed** for \$2.98 due to calculation error.



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- Travel was not timely submitted for reimbursement.(10/27/2011)

Dean of Business:

- There was an over reimbursement of \$131 for the following business trip.
 - **Travel Dates: April 02-03, 2012.**
 - Lodging per state of Texas management program:\$108 Actual:\$219 Over:\$111 (1 Night)= \$111 Business trip was made at the request of the provost and paid out of provost account.
 - There was a non-reimbursable incidental travel expense of \$20 for a Southwest Airlines early check-in

All other expenses met the following:

- The approval process is in compliance with applicable rules, laws and regulations.
- Adequate supporting documentation was maintained for expenditures tested.
- An adequate and business purpose was well documented.
- Expenditures were mathematically accurate and properly recorded.
- Expenditures were within allowable limits.
- Expenditures were timely submitted.

Recommendation: We recommend that the Provost/VPAA Office strengthen controls over the travel reimbursement requests to ensure that established University travel policy and procedures as per HOP 10.5.1 as it relates to the following are followed:

Within Allowable Limits

Per diem allowance for lodging, meals and incidental expenses should not be exceeded.

Mathematically Accurate

The expense amount should be recalculated based upon information from the supporting documentation to verify mathematical accuracy of the expense.

Management's Response: The Office of the Provost and Academic Affairs concurs with the recommendation. The Division of Academic Affairs has implemented a review system through an Academic Service Center to verify all out of state and direct reports to the Provost travel expenses. The Office of the Provost will request from the administrative Divisions to attach all necessary documentation that relates to Per diem, lodging, meals and incidental to be able to verify all out of state and direct reports to the Provost travel expenses accurately.

Implementation Date: Effective Immediately



The University of Texas at Brownsville
Office of Internal Audits

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During the end of audit fieldwork, Executives who received overpayments for travel expenses identified during the audit were in the process of reimbursing the university for the overpayments.

Conclusion

Internal Audits concluded that there were opportunities for improvements in internal controls over executive travel expenditures. Implementation of the recommendation made in this report will help to strengthen the current internal controls.