

Executive Travel and Entertainment Expenses

Audit Report # 16-06
May 9, 2016

The University of Texas at El Paso
Institutional Audit Office

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May 9, 2016

Dr. Diana Natalicio
President, University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited- scope audit of Executive Travel and Entertainment Expenses. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by Accounts Payable staff during our audit.

Sincerely,

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed the audit of Executive Travel and Entertainment Expenses. The audit scope was limited to travel and entertainment expenses reimbursed to, or paid on behalf of, selected executive officers and key management personnel of The University of Texas at El Paso (UTEP) during the period September 1, 2014 through August 31, 2015. The objective of the audit was to determine whether the travel and entertainment expenses incurred by the selected individuals were in compliance with applicable laws, regulations, policies and procedures.

During the audit we noted the following¹:

- 425 of 461 (92%) transactions were not properly approved, with some individuals approving their own reimbursements.
- 54 of 461 (12%) transactions did not have an adequate business purpose.
- 24 of 461 (5%) transactions were not adequately supported.
- 4 of 389 (1%) travel transactions represented lodging expenses in excess of the GSA guidelines and the overages were not charged to local funds.
- The international trip tested did not have approval from the President.

Additionally, the following issues were found:

- The University travel card was used for entertainment expenses, and there was not a signed copy of the cardholder agreement on file.
- One (\$340) of the entertainment expenses tested was reimbursed to the employee on two separate occasions. The executive was notified and promptly repaid the amount.
- A car rental (\$52) was directly billed to the University, however, it was also included in the expense report and reimbursed to the employee. The executive was notified and promptly repaid the amount.

A contributing factor to these issues is the lack of consistency in the policies and procedures from the UTEP Travel Office website, Vice President for Business Affairs Business Process Guidelines and the Handbook of Operating Procedures.

¹ Transactions were tested only for attributes applicable to that transaction. Some transactions tested showed multiple instances of non-compliance.

BACKGROUND

The University of Texas System (UT System) Board of Regents' Rule 20205 *Expenditures for Travel, Entertainment, and Housing by Chief Administrators* was approved on May 11, 2006. The purpose of this *Rule* is to "prescribe, clarify, and provide uniformity in the approval, review, and audit process for travel, entertainment, and housing expenses incurred by the Chancellor and presidents." At the request of former Chancellor Cigarroa, the audit requirements were expanded to include travel and entertainment expenses incurred by UT System institutions' executive officers and key management personnel.

AUDIT OBJECTIVES

The objectives of this audit were to determine whether:

- expenses incurred by The University of Texas at El Paso (UTEP) executive officers were in compliance with applicable laws, regulations, policies and procedures of the State of Texas, the UT System and UTEP, and
- reimbursements had an adequate business purpose, were processed in a timely fashion, properly approved, and supported by the appropriate documentation.

SCOPE AND METHODOLOGY

The scope of the audit included travel and entertainment vouchers for selected UTEP executive officers during the period September 1, 2014 through August 31, 2015. Seven of 39 University executives were selected for testing. Computer Assisted Audit Tools and Techniques were used to analyze transactions chosen for review.

Audit testwork included interviews with key personnel and verification of travel and entertainment reimbursements through inspection of supporting documentation. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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 the rankings are as follows:

Priority - an issue identified by an internal audit that, if not addressed timely, could 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.

AUDIT RESULTS

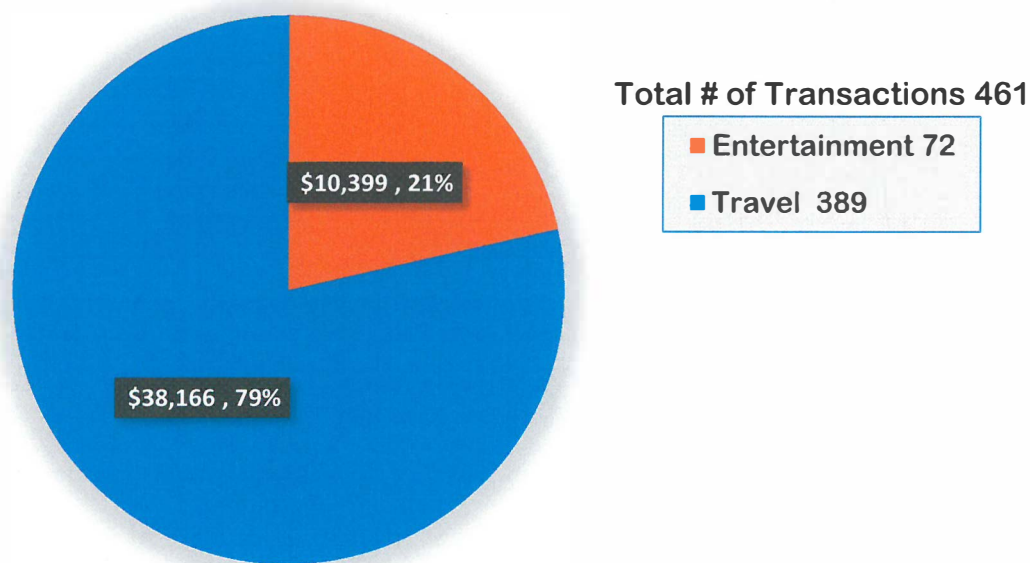
A. Travel and Entertainment Guidelines

UTEP Travel Regulations have not been revised to reflect changes in policies and procedures. The travel regulations in the Handbook of Operating Procedures (HOOP) have not been updated since August 2013. In addition, the policies and procedures from the UTEP Travel Office website and the Vice President for Business Affairs (VPBA) Business Process Guidelines are not consistent with the guidelines outlined in the HOOP.

According to the Board of Regents' Rule 20801 *"Institutions of the U. T. System shall issue travel regulations covering authorization for travel and reimbursement for approved travel to implement applicable provisions of State law and regulations for the guidance of all personnel concerned. Following administrative approval by the appropriate Executive Vice Chancellor, travel regulations will be included in the institutional Handbook of Operating Procedures."*

A judgmental sample of 7 of 39 executives was chosen for testing, and all travel and entertainment expenses for the audit period were reviewed.

FY 15 Travel and Entertainment Expenses



In the absence of clear guidance from UTEP's policies and procedures, state travel regulations were used as criteria for testing.¹

- 425 of 461 (92%) transactions were not properly approved, with some individuals approving their own reimbursements.
- 54 of 461 (12%) transactions did not have an adequate business purpose.
- 24 of 461 (5%) transactions were not adequately supported.
- 4 of 389 (1%) travel transactions represented lodging expenses in excess of the GSA guidelines and the overages were not charged to local funds.
- The international trip tested did not have approval from the President.

Recommendation:

The Handbook of Operating Procedures (HOOP) should be updated to provide clear and timely guidance on travel and entertainment policies. The guidance provided on the UTEP Travel Office website and the VPBA Business Process Guidelines should follow the policies outlined in the HOOP. Consequences for lack of compliance with policies should be clearly outlined and enforced.

Level: This finding is considered **Medium** due to the potential level of risk from lack of compliance with policies and procedures.

Management Response:

We will work towards the recommended solutions. Of primary concern at this time is the finding related to self-approval of reimbursements. At the beginning of April we implemented workflow for Travel and Expense transactions. While there have been some issues requiring cleanup, overall it has been a success and we believe it will cure this finding. We are also in the final stages of revising our Handbook of Operating Procedures for this area. The only remaining items relate to the inclusion of several definitions in the HOOP stated in Texas State Code. Once approved, we will synchronize guidance across all points referenced by campus.

A1. Travel Card Transactions

The HOOP Travel Regulations 6.5.6 Corporate Cards state “a corporate travel charge card issued to an employee of the University of Texas at El Paso by the State of Texas remains the property of the State of Texas and should be used only for official University business travel charges.”

¹ Transactions were tested only for attributes applicable to that transaction. Some transactions tested showed multiple instances of non-compliance.

One executive tested is in possession of a state travel card. The travel card transactions for the audit period were tested, and it was determined that 12 of the 25 (48%) transactions were for local entertainment expenses. Additionally, there is not a signed card holder agreement on file.

Recommendation: *All cardholders need to have a signed cardholder agreement on file and should abide by the terms of the cardholder agreement.*

Level: This finding is considered **Medium** due to the potential level of risk from lack of compliance with policies and procedures.

A2. Duplicate Reimbursement

One (\$340) of the entertainment expenses tested, was reimbursed twice with the employee approving his own reimbursement on both occasions. The duplicate reimbursement was discovered during the course of the audit, and the executive was notified and promptly repaid the amount.

34 Tex. Admin. Code 5.22(c)(1) states, “A state agency or a state employee may not seek reimbursement of a travel expense that the agency or employee knows or reasonably should know is not reimbursable.”

Recommendation: *State employees are responsible for ensuring receipts are only submitted for reimbursement once.*

Level: This finding is considered **Medium** due to the potential level of risk from lack of compliance with policies and procedures.

A3. Centrally Billed Car Rental Reimbursed to Employee

One (\$52) of the travel transactions tested was for car rental. The car rental was directly billed to the University as required, however, it was submitted for reimbursement by the employee, in violation of 34 Tex. Admin. Code 5.22(c)(1). Additionally, the reimbursement was not properly approved.

The issue was discovered during the course of the audit and the executive was notified and promptly repaid the amount.

Recommendation: *State employees should not seek reimbursement for something that they reasonably know is not reimbursable, such as centrally billed expenses.*

Level: This finding is considered **Medium** due to the potential level of risk from lack of compliance with policies and procedures.

CONCLUSION

Based on the results of audit procedures performed, we conclude that additional attention is required to strengthen the process for the authorization and approval of travel and entertainment expenditures and to ensure compliance with the state, UT System and UTEP regulations and policies.

The functionality for the approval process in PeopleSoft was not in use during the audit period. These interim procedures allowed account owners to approve their own transactions, resulting in lack of appropriate segregation of duties. Work flow for travel and entertainment approvals was enabled April 4, 2016.

We wish to thank the management and staff of Accounts Payable for their assistance and cooperation provided throughout the audit.