



*Office of Internal Audit*

January 4, 2017

Dr. Kirk A. Calhoun, M.D.  
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Dr. Calhoun:

We have completed an audit of Executives' Travel and Entertainment expenses as part of our FY 2017 Audit Plan. The audit was included in the plan at the request of UT System. Audits of the institution's executives' travel and entertainment expenses have been performed annually since FY 2013. The objective of the audit was to determine whether travel and entertainment expenses paid by the institution on behalf of executive leaders were appropriate and in compliance with applicable laws, policies and procedures. The period under review was September 1, 2015 through August 31, 2016. Detailed results are included in the report.

This audit was conducted in accordance with guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. We appreciate the assistance provided by management and other personnel and hope the information presented in our report is helpful.

Sincerely,

Gail Lewis  
Interim Director, Chief Audit Executive

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# **Executives' Travel & Entertainment Audit**

**January 4, 2017**

**UT HEALTH NORTHEAST  
OFFICE OF INTERNAL AUDIT  
11937 US HIGHWAY 271  
TYLER, TX 75708**

**UT Health Northeast  
Executives' Travel & Entertainment Audit  
Fiscal Year 2017**

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## **Audit Report**

### ***Executive Summary***

At the request of UT System, we have performed annual audits of travel and entertainment expenses paid by the institution on behalf of its executives since FY 2013. This year our audit covered travel and entertainment expenses for ten members of the UT Health Northeast executive leadership team with titles including Executive Vice President, Senior Vice President, Vice President, Chair and Executive Director.

We determined that travel and entertainment expenses paid by the institution in FY 2016 on behalf of the ten executive leaders included in the audit were appropriate business expenditures and were substantially in compliance with applicable policies and procedures.

### ***Background***

The University of Texas System institutions are governed by state laws and rules and regulations promulgated under those laws, as well as by System-wide and institutional policies and procedures concerning expenses incurred by officials for travel, entertainment and housing. The Board of Regents of the University of Texas System, recognizing the importance of oversight and accountability, transparency, and fiscal responsibility, implemented Board of Regents' Rule 20205, *Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences*. Rule 20205 prescribes, clarifies, and provides uniformity in the approval, review, and audit process for travel and entertainment expenses incurred by the institutions' presidents and their spouses, and for expenses for the maintenance of university residences.

Since fiscal year 2007, the UT Health Northeast Office of Internal Audit or the UT System Audit Office has conducted audits of expenses paid on behalf of the institution's President and his spouse in accordance with Rule 20205. In October 2012, UT System requested these audits be expanded to include travel and entertainment expenses of the UT System executive officers and executive teams at each institution across the System.

### ***Audit Objective***

The objective of the audit was to determine whether travel and entertainment expenses paid by the institution on behalf of executive leaders are appropriate and in compliance with applicable laws, UT System, and UT Health Northeast policies and procedures.

### ***Audit Scope and Methodology***

The scope for this audit was FY 2016 (September 1, 2015 through August 31, 2016). To determine which executives to include in this audit, we considered the institutional hierarchy, executives' span of authority, dollar or transaction volume, and results of prior audits performed. For FY 2017, we included the following ten executives in the audit:

- Executive Vice President, Chief Operating Officer

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- Senior Vice President, Research and Graduate Studies
- Senior Vice President, Clinical and Academic Affairs
- Vice President, Planning and Public Policy
- Vice President, Institutional Advancement
- Vice President, Chief Human Resources Officer
- Chair and Professor of Pulmonary Immunology
- Chair and Professor of Cellular and Molecular Biology
- Chair and Associate Professor of School of Community and Rural Health
- Executive Director of East Texas Consortium

To accomplish the audit objective, we performed the following procedures, among others:

- Identified criteria applicable to the activity, including Regents' Rules, UT System and institutional policies and procedures, bylaws, and state regulations
- Queried vendor transactions for the executive leaders and similar or related names, and scanned general ledger accounts typically used for travel and entertainment expenses to identify potential direct payments made on behalf of executive leaders, in order to establish completeness of the population of transactions
- Tested a sample of travel, entertainment, and potentially similar expenditures to determine whether they were properly approved; adequately supported; mathematically accurate; for an appropriate business purpose; and in compliance with applicable laws, policies and procedures

We conducted our audit in accordance with guidelines set forth in The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

***Audit Results/Conclusion***

We tested a sample of fifteen travel events totaling \$20,829 and fifteen entertainment expense transactions totaling \$7,479 that were paid on behalf of the ten UT Health Northeast executives included in the audit. The travel events selected included two international trips.

The travel events and entertainment expenses combined totaled \$28,308 that were paid by the institution in FY 2016 on behalf of executive leaders were found to be appropriate and substantially in compliance with applicable guidelines, policies and procedures. Although all expenses tested were appropriate business expenses and were substantially in compliance with applicable guidance, we identified some minor calculation errors, institutional policy deviations or supporting documentation deficiencies within vouchers and other documentation. These minor deficiencies were communicated to Accounts Payable management and the executives' offices to avoid future reoccurrence of similar deficiencies.



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Gail Lewis, Interim Director, Chief Audit Executive