



THE UNIVERSITY of TEXAS SYSTEM  
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**Audit Office**

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January 7, 2016

David L. Callender, M.D., President  
Office of the President  
The University of Texas Medical Branch (UTMB)  
301 University Boulevard, 6.100 Administration Building  
Galveston, Texas 77555

Dear President Callender:

We have completed our audit of travel, entertainment, and university residence maintenance expenses paid on behalf of, or reimbursed to, you and your spouse during the period December 1, 2013 to May 31, 2015. Our audit objective was to determine whether these expenses are appropriate, accurate, and in compliance with applicable institutional policies and The University of Texas System Board of Regents' *Rules and Regulations*. The detailed report is attached for your review.

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

We will follow up on the recommendation made in this report to determine its implementation status. This process will help enhance accountability and ensure that audit recommendations are implemented in a timely manner.

We greatly appreciate the assistance provided by the president's office and internal audit in conducting this engagement.

Sincerely,

Handwritten signature of J. Michael Peppers in black ink.

J. Michael Peppers, CPA, CIA, QIAL, CRMA  
Chief Audit Executive

cc: Cheryl A. Sadro, Executive Vice President and Chief Business & Finance Officer, UTMB  
Kimberly Hagara, Vice President, Audit Services, UTMB  
Raymond S. Greenberg, M.D., Ph.D., Executive Vice Chancellor for Health Affairs, UT System  
Administration

**Presidential Travel, Entertainment, and University Residence  
Maintenance Expenses Audit Report  
The University of Texas Medical Branch  
FY 2015**



**January 2016**

**THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE  
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(512) 499-4390**



**The University of Texas System Audit Office  
Presidential Travel, Entertainment, and University Residence Maintenance  
Expenses Audit – UT Medical Branch  
Fiscal Year 2015**

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**AUDIT REPORT**

January 2016

***BACKGROUND***

As required by The University of Texas (UT) System Board of Regents' *Rules and Regulations*, Rule 20205, titled "Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences" (Rule 20205), the UT System Audit Office has completed the audit of presidential travel, entertainment, and university residence maintenance expenses. Guidance for these expenses is provided by various state laws, rules and regulations promulgated under those laws, and UT System and institutional travel and entertainment policies and procedures including, but not limited to, Rule 20205.

While each of the presidents is subject to the annual audit, substantive testing of their expenses is determined on a year-to-year basis. This assessment is made based both on an analysis of risk and an element of rotation to ensure complete coverage over a period of time.

***AUDIT OBJECTIVE***

The overall objective of this audit was to determine whether travel, entertainment, and university residence maintenance expenses paid on behalf of or reimbursed to the presidents and their spouses are appropriate, accurate, and in compliance with applicable institutional policies and Regents' *Rules and Regulations*.

***SCOPE AND METHODOLOGY***

The scope of this audit included travel, entertainment, and university residence maintenance activity of the presidents and their spouses for the period from December 1, 2013 to May 31, 2015. The audit scope of travel and entertainment expenses for presidents' spouses, who also have a faculty/staff role, is limited to those expenses related to the presidents' offices.

At UT Medical Branch (UTMB), the president's spouse did not have any travel or entertainment expenses, as related to the Office of the President, during the audit scope. In addition, UTMB does not have a university residence for the president; therefore, there are no such expenses.

The audit methodology consisted of reviewing applicable institutional policies and procedures, assessing internal controls, and analyzing the institutions' quarterly reports submitted to UT System. Based on the risk determined as a result of these audit procedures at UTMB, additional substantive testing was performed on a sample of travel and entertainment expenses to determine whether applicable policies and procedures were followed and whether expenses were appropriate, adequately supported, and accurately processed.

The audit was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*.



**The University of Texas System Audit Office  
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**AUDIT RESULTS**

Overall, the travel and entertainment expenses reimbursed to, and paid on behalf of, the president appeared appropriate and accurate, and adequate internal controls are in place. However, direct billed entertainment expenses paid on behalf of the president are not being approved by the chief business officer (CBO), as required by Rule 20205.

**Recommendation:**

A process should be implemented to ensure that direct billed expenses for both travel and entertainment, paid on behalf of the president and his spouse (for activity related to the Office of the President), are reviewed by the CBO with documented approval, prior to payment of the expense.

**Management's Response:**

The Office of the President will establish a process to ensure the Chief Business and Finance Officer's documented approval is obtained prior to payment of any direct billed travel and entertainment expenses paid on behalf of the president and his spouse. Additionally, we will work with the other departments responsible for processing direct billed entertainment expenses paid on behalf of the president and his spouse to ensure additional procedures are established to obtain the CBFO's documented approval prior to the expense payment.

**Implementation Date:**

Immediately

Other minor issues were noted and communicated to management.

**CONCLUSION**

Overall, the travel and entertainment expenses reimbursed to, and paid on behalf of, the president appeared appropriate and accurate and adequate internal controls are in place, except for documented CBO approval of direct billed entertainment expenses.

J. Michael Peppers, CPA, CIA, QIAL, CRMA  
Chief Audit Executive

Moshmee Kalamkar, CPA, CIA  
Audit Manager