



March 10, 2016

Guy Bailey, Ph.D., President
Office of the President
The University of Texas Rio Grande Valley (UTRGV)
2102 Treasure Hills Boulevard, Suite 3.115
Harlingen, Texas 78550

Dear President Bailey:

We have completed our audit of travel, entertainment, and university residence maintenance expenses paid on behalf of, or reimbursed to, you during the period December 1, 2013 to May 31, 2015. Our audit objective was to determine whether these expenses were 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 recommendations made in this report to determine implementation status. This process will help enhance accountability and ensure that audit recommendations are implemented in a timely manner.

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

Sincerely,

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

cc: Martin Baylor, Executive Vice President for Finance and Administration, UTRGV
Janna Arney, Ph.D., Chief of Staff and Vice President for Operations, UTRGV
Eloy Alaniz, Institutional Chief Audit Executive, UTRGV
Steven Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs, UT System Administration

**Presidential Travel, Entertainment, and University Residence
Maintenance Expenses Audit Report
The University of Texas Rio Grande Valley
FY 2015**



March 2016

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

AUDIT REPORT

March 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 were 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 the presidents' spouses is limited to those expenses related to the presidents' offices. UT Rio Grande Valley (UTRGV) does not have spousal travel and entertainment or university residence maintenance 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 UTRGV, 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)*.

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, enhancements were identified related to the submission, completeness, and accuracy of the quarterly reports and the chief business officer's approval of direct billed expenses.



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Completeness and Accuracy of the Quarterly Reports

Quarterly reports of presidential travel and entertainment expenses are required to be filed with UT System per Rule 20205. These reports were not initially submitted to the UT System Office of Academic Affairs (OAA) but were subsequently when brought to the institution's attention as a result of the audit. Through a review of the quarterly reports, omitted travel expenses, inaccurate expense amounts, and inconsistencies in the information provided were found.

Recommendation:

The Office of the President should strengthen the process of preparing and reviewing the quarterly reports to ensure they are complete, accurate, and consistent. The preparer(s) and reviewer(s) of the report should be familiar with the travel systems, the accounting system, and the overall process to ensure all relevant expenses are identified and properly captured. Additionally, the Office of the President should revise the quarterly reports for the audit scope period to include all applicable expenses and resubmit them to the UT System OAA.

Management's Response:

The Office of the President is strengthening the process by working closely with the Office of the Executive VP for Finance & Administration (EVPFA) and Internal Audits to ensure accurate and timely submission of travel and entertainment expense reports. The travel and business expense preparer is now familiar with all systems/processes required to prepare the quarterly reports and will be submitting them to Internal Audits and the EVPFA two weeks prior to due date for review to ensure that all relevant expenses have been properly captured and that reports are submitted accurately and on a timely basis.

The Office of the President will revise the quarterly reports for the audit scope period to include all applicable expenses and resubmit them to the UT System OAA as soon as possible, but no later than April 1, 2016.

Implementation Date:

May 1, 2016

Chief Business Officer Approval of Direct Billed Travel Expenses

Rule 20205 requires that reimbursements to the president and travel and entertainment expenses directly paid to a vendor on the president's behalf must be reviewed and have documented approval by the institution's chief business officer (CBO).

UTRGV's process for direct billed travel expenses includes the CBO's review of estimates on the travel itinerary or travel requisition. If the CBO does not take action on it within 24 hours, an automatic approval is sent to the requestor by the system. In the cases of automatic approval, there is no evidence that the CBO is actually reviewing the direct billed travel expenses.

Recommendation:

All travel and entertainment expenses, reimbursed to or paid on behalf of the president, should be reviewed by the CBO with documented approval, prior to payment. If an automatic approval for direct billed expense estimates occurs, additional steps should be taken to obtain the CBO's documented approval of these expenses. In addition, if actual



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costs of direct billed expenses significantly exceed estimates, the CBO's approval should be documented.

Management's Response:

Concur (iTravel) Travel Approvals:

The Executive Vice President for Finance and Administration (EVPFA), currently approves the President's travel before the passive approval occurs. Additionally, the EVPFA and his Executive Assistant constantly monitor Concur emails for pending approvals for the President's trips. The Executive Assistant notifies the EVPFA of incoming email approvals, and in turn, the EVPFA approves these transactions immediately. Concur email approvals will be kept on file for future reference.

Reimbursements

- **Travel Vouchers:** The President's travel vouchers are submitted to the Office of the EVPFA for review and are subsequently approved by the EVPFA. All original documentation is forwarded back to the President's Office for submittal into UTRGV's eProcurement system (iShop).
- **Business Expense Reimbursement:** The President's business expense reimbursements are not currently submitted to the EVPFA for approval as part of the iShop workflow. Moving forward, the Office of the EVPFA will work with Business Information Systems to modify the existing approval workflow to include the EVPFA on all business expense reimbursements for the President.

Implementation Date:

Concur (iTravel) Travel – Immediately

Business Expense Reimbursement – August 31, 2016

Additionally, the institution's business entertainment policy is currently in draft and has not yet been approved for implementation. The responsible parties should continue the review process and strive to have it finalized in the near future. 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. However, enhancements were recommended in the areas of accuracy and completeness of the quarterly reports and documented CBO approval of direct billed travel expenses.

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

Moshmee Kalamkar, CPA, CIA
Audit Manager