



February 12, 2018

Gregory L. Fenves, Ph.D., President  
The University of Texas at Austin  
110 Inner Campus Drive, G3400  
Austin, Texas 78712-3400

Dear President Fenves:

As required by The University of Texas (UT) System Board of Regents' *Rules and Regulations* (Regents' *Rules and Regulations*), Series 20205, titled "Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences", the UT System Audit Office has completed the audit of presidential travel, entertainment, and university residence maintenance expenses.

The overall objective of this audit was to determine whether travel and entertainment expenses incurred by the presidents and their spouses and expenses for the maintenance of university residences were appropriate, accurate, and in compliance with applicable institutional policies and Regents' *Rules and Regulations*. The scope of the audit at UT Austin included expenses incurred from June 3, 2015 through May 31, 2017. The audit was conducted in accordance with the guidelines set forth in 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. Any requests for extension to implementation dates require approval from the System Administration Internal Audit Committee. This process helps enhance accountability and ensure that audit recommendations are implemented in a timely manner.

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

Sincerely,

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

cc: Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer, UT Austin  
Mr. Mike Vandervort, Chief Audit Executive, UT Austin  
Dr. David Daniel, Deputy Chancellor, UT System  
Dr. Steven Leslie, Executive Vice Chancellor for Academic Affairs, UT System

**Presidential Travel, Entertainment, & University Residence  
Maintenance Expenses Audit Report  
The University of Texas at Austin  
FY 2017**



**February 2018**

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE  
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**The University of Texas System Audit Office  
Presidential Travel, Entertainment, & University Residence Maintenance  
Expenses Audit – UT Austin  
Fiscal Year 2017**

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**AUDIT REPORT**

February 2018

***BACKGROUND***

As required by The University of Texas (UT) System Board of Regents' (Regents) *Rules and Regulations*, Series 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 institutional 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 analysis of risk and an element of rotation to ensure audit coverage of all presidents every two years. In addition, expenses will be audited at least by the first full fiscal year after a new president assumes office.

***AUDIT OBJECTIVE***

The specific objective of this audit at UT Austin was to determine whether travel and entertainment expenses incurred by the president and his spouse were appropriate, accurate, and in compliance with applicable institutional policies and Regents' *Rules and Regulations*.

***SCOPE AND METHODOLOGY***

The scope of this audit included expenses incurred from June 3, 2015 through May 31, 2017. UT Austin did not have university residence expenses during the audit scope.

The audit methodology consisted of reviewing applicable institutional policies and procedures and assessing internal controls. In addition, substantive testing was performed on a sample of travel and entertainment expenses, and follow-up was performed on prior year recommendations. The audit was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

***AUDIT RESULTS***

The travel and entertainment expenses incurred by the president and his spouse appeared appropriate and accurate; however, premium airfare (i.e., first, business, or other premium class) was purchased for the president and his spouse on multiple occasions during the audit scope. UT Austin's institutional travel policy does not allow for payment of premium airfare without an approved allowable exception, which includes a documented health issue, only seat available, lowest available fare, contract/agreement requires it, another entity is reimbursing the airfare, or a research grant allows it with the use of grant funds. The reasons provided in the supporting documentation for the premium airfares identified did not fall under any of these allowable exceptions.



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The observation described above is considered a **medium-level** finding in accordance with UT System’s internal audit finding classification system<sup>1</sup>.

**Recommendation:** The President’s Office should discontinue purchasing premium airfare for the president and his spouse to comply with the current UT Austin institutional travel policy requirements or revise the policy to allow additional parameters to purchase premium airfare.

**Management Response:** The University acknowledges the findings. The President’s Office will conform to the current UT Austin institutional travel policy.

**Implementation Date:** Immediately.

In addition, the prior year audit recommendations regarding completeness and accuracy of the quarterly expense reports submitted to UT System and chief business officer (CBO) approval of direct-billed expenses are considered closed. During the past few years, there have been multiple modest revisions to Rule 20205 related to expense reporting frequency and threshold and timing of CBO approval for direct-billed expenses. In this period, UT Austin has been working through different options to accommodate the Rule changes and implement a consistent process for CBO approval of direct-billed expenses. Going forward, UT Austin has affirmed that the direct-billed expenses will be included with the travel reimbursement voucher for review and approval by the CBO, and, for direct-billed expenses that do not have associated reimbursable expenses, an inter-departmental transfers report of the expenses will be provided to the CBO on a periodic basis for review and approval.

**CONCLUSION**

Overall, the travel and entertainment expenses incurred by the president and his spouse appeared appropriate, accurate, and in compliance with Regents’ *Rules and Regulations*. However, a recommendation related to premium airfare was made to ensure compliance with institutional policy.

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

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Moshmee Kalamkar, CPA, CIA  
Assistant Director

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<sup>1</sup> The UT System Internal Audit finding Classification System includes Priority, High, Medium, or Low level findings. A Priority Finding is defined as “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.” Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated.