



December 4, 2017

William L. Henrich, M.D., President
The University of Texas Health San Antonio
7703 Floyd Curl Drive, Mail Code 7834
San Antonio, TX 78229

Dear President Henrich:

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 included expenses incurred from June 1, 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 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: Ms. Andrea Marks, Vice President and Chief Financial Officer, UT Health San Antonio
Mr. Michael Black, Senior Vice President and Chief Operating Officer, UT Health San Antonio
Mr. John C. Lazarine, Chief Audit Executive, UT Health San Antonio
Dr. David Daniel, Deputy Chancellor, UT System
Dr. Raymond S. Greenberg, Executive Vice Chancellor for Health Affairs, UT System

**Presidential Travel, Entertainment, & University Residence
Maintenance Expenses Audit Report
The University of Texas Health San Antonio
FY 2017**



December 2017

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**The University of Texas System Audit Office
Presidential Travel, Entertainment, & University Residence Maintenance
Expenses Audit – UT Health San Antonio
Fiscal Year 2017**

AUDIT REPORT

December 2017

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 Health San Antonio 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 1, 2015 through May 31, 2017. UT Health San Antonio did not have spousal travel and entertainment or 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. 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 & CONCLUSION

Overall, the travel and entertainment expenses incurred by the president appeared appropriate and accurate and adequate internal controls are in place and functioning as intended. However, enhancements were identified related to approval by the chief business officer (CBO) of direct-billed travel and entertainment expenses, as described below.

Direct-billed airfare is not consistently approved by the CBO as it may be delegated to another individual in order to expedite the purchasing process when the CBO is unavailable. In this limited occurrence, a subsequent review by the CBO was not performed.



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Additionally, there has not been a process in place for the CBO to review and approve direct-billed expenses for social club membership dues and in-house catering for small groups. This primarily occurred due to UT Health San Antonio's interpretation of Rule 20205, as to what is considered a business entertainment expense.

Going forward, UT Health San Antonio has affirmed that the direct-billed expenses for airfare will be included with the reimbursement voucher for review and approval by the CBO. Direct-billed catering expenses for events that the president hosts for 10 individuals or less will also be routed to the CBO for approval, which may be done after payment. Additionally, the annual amount of social club membership dues will be provided to the CBO at the beginning of each new fiscal year for review and approval. Review of these process enhancements will be completed during the next presidential travel and entertainment expenses audit at UT Health San Antonio, which will occur biennially.

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

Moshmee Kalamkar, CPA, CIA
Assistant Director