

Executive Travel and Entertainment

Audit Report # 19-200

November 30, 2018



The University of Texas at El Paso
Office of Auditing and Consulting

"Committed to Service, Independence and Quality"



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November 30, 2018

Dr. Diana Natalicio
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited- scope audit of Executive Travel and Entertainment. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by University Executives and Disbursement Services Department staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads 'Lori Wertz'. The signature is written in a cursive, flowing style.

Lori Wertz
Chief Audit Executive

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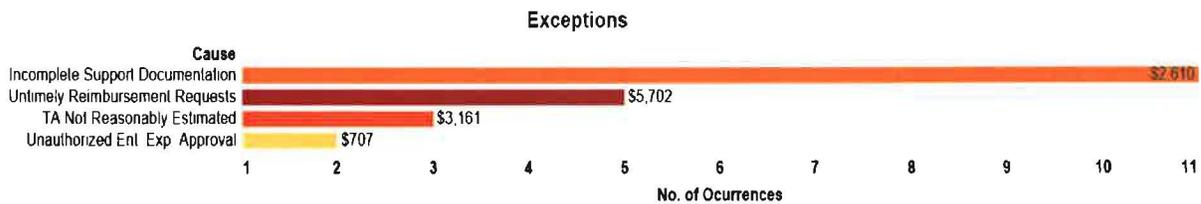
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EXECUTIVE SUMMARY

The University of Texas at El Paso (UTEP) Office of Auditing and Consulting Services has completed a limited scope audit of Executive Travel and Entertainment (T&E), which is performed to fulfill The University of Texas System (UT System) Board of Regents' Rule 20205: Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences.

Based on the work performed, we noted the following:



Travel Authorizations:

- Three travel authorizations were only encumbered for \$1 each, resulting in \$3,161.26 left unencumbered.

Travel Expenditures:

- Three travel expense reports did not contain complete invoice/support documentation, resulting in a \$139.31 variance.
- Four travel expense reports were requested 60 days post-travel, totaling \$5,202.79.

Entertainment Expenditures:

- Two entertainment expense forms were not signed by an authorized approver, totaling \$707.27.
- Seven entertainment expense reports did not contain complete invoice/support documentation, totaling \$1,853.85.
- One entertainment expense report did not contain advance presidential approval for alcohol service in the amount of \$617.03.
- One entertainment expense report was requested 60 days post-event, totaling \$499.44.

With the exceptions noted above and based on improvements from prior audits, we conclude that the T&E expenditures generally comply with UTEP and UT System policies.

BACKGROUND

The University of Texas System (UT System) Board of Regents' Rule 20205: *Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences*, was approved on May 11, 2006. The purpose of this Rule is to "prescribe, clarify, and provide uniformity in the approval, review, and audit process for travel and entertainment expenses incurred by the Chancellor and presidents." The audit requirements were expanded to include an audit of the Executive Travel and Entertainment (T&E) expenses incurred by each institution's executives. This audit was performed to fulfill that requirement.

Ten out of 46 executive officers and key management personnel, ranging from Deans to Vice Presidents, were judgmentally selected based on a 3-year historical analysis. Testing was divided into travel and entertainment expense transactions. The total transactions for the executives selected in the sample are noted below:

Executives Selected	# Travel Expense Reports	Travel Reimbursement Amount	# Entertainment Expense Reports	Entertainment Reimbursement Amount	Total # T&E Expense Reports	Total T&E Reimbursement Amount
10	73	\$ 32,376.06	70	\$ 7,058.19	143	\$ 39,434.25

AUDIT OBJECTIVES

The objectives of this audit were to:

- evaluate and test compliance with UTEP and UT System policies and procedures for T&E expenses incurred by executive leadership of the University, and
- determine whether transactions were properly approved, processed timely, and supported by appropriate documentation.

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

The audit scope was limited to ten selected executives ranging from deans to vice presidents. A total of 38 out of 143 T&E expense reports (19 travel vouchers and 19 entertainment vouchers) with 259 transactions totaling \$23,225.50 were examined in the following categories:

- travel authorization,
- travel expenditures, and
- entertainment expenditures.

Methodology included verification of T&E reimbursements through review of supporting documentation utilizing the PeopleSoft Financial Management System, and the use of audit tools to test for duplicate expense reimbursements.

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority - 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.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/ school/unit level.

AUDIT RESULTS

A. Travel Authorization

The UTEP Handbook of Operating Procedures (HOP) 6.2.1, 6.2.2, and Business Process Guidelines (BPG) state that travel authorizations require a request for travel be completed through a PeopleSoft (PS) Travel Authorization (TA) document prior to any business related travel regardless of any cost to the University. Additionally, approval is delegated to the immediate supervisor for authorization prior to actual travel. Travel costs should be reasonably estimated by the traveler and encumbered to the related cost center.

Nineteen out of 73 (26%) travel expense reports were selected for TA testing. The following exception was found:

A.1 Encumbrances Not Reasonably Estimated

- Three (16%) TAs were only encumbered for \$1 each, while actual travel expenses totaled \$3,164.26, leaving a difference of \$3,161.26 unencumbered.

Failure to reasonably estimate travel expenses does not align with institutional policies and procedures. Not encumbering a reasonable estimate for travel may result in a budget shortage at the time when the actual expenses are incurred. Furthermore, having an appropriate estimate at the time of authorization request provides the approver with a more complete scope of the business related purpose.

Recommendation:

The TA document should include a reasonably estimated cost, which can be requested through the authorized travel agency, Anthony Travel, at no additional cost. Following institutional policy will allow for proper budgeting and time saving benefits to the appropriate supervisors/departments by not having the traveler resubmit incomplete information.

Level: This finding is considered **MEDIUM** due to the potential level of risk from lack of compliance with University policies and procedures.

B. Travel Expenditures

Travel reimbursements are processed post-travel and submitted by the employee. Qualified reimbursements include transportation, lodging, meals, registration costs, and incidentals. There are specific University policies and procedures and State regulations for each type of travel related reimbursement.

B.1 Travel Reimbursements Not in Compliance

The same 19 TAs, totaling \$19,167.05, were utilized to test the complete travel reimbursement process through PeopleSoft's expense report.

Travel reimbursements were not processed in accordance with University policies and State regulations, resulting in a total deviation of \$5,342.10. The following exceptions were noted:

Incomplete Support Documentation

- Three (16%) expense reports did not contain complete invoice/support documentation for travel expenditures. Amounts reimbursed to executives without complete documentation resulted in a \$139.31 variance.

Untimely Reimbursement Requests

- Four (21%) expense reports were requested after 60 days. Submission dates ranged from 61 to 183 days post-travel. The late expense reports totaled \$5,202.79.

University policies state proof of payment and original and itemized travel receipts must be documented to validate that expenses were actually incurred. Additionally, State regulations require that travel reimbursements be requested in a timely manner, within 60 days of the last day of travel. Failure to follow University policies and State regulations may lead to possible financial loss to the University.

Recommendation:

It is recommended that all University travelers follow all institutional policies and State regulations regarding allowable travel reimbursements. All travel reimbursement policies are readily available through the University web site for reference. Disbursement services should re-route incomplete or improper requests back to sender for correction/completion. Late submissions should be accounted for properly through

payroll. Following institutional policies will help ensure compliance with State regulations regarding accurate, complete, and timely documentation.

Level: This finding is considered **MEDIUM** due to the potential level of risk from lack of compliance with University policies and procedures.

C. Entertainment Expenditures

UTEP BPG Entertainment Expense policy allows departmental expenditures or reimbursement of expenses for entertainment meals or refreshments when they demonstrate a benefit to the University. Entertainment expenses require the use of an Entertainment Expense Form to be submitted through a PeopleSoft non-PO voucher. The properly authorized and completed form should include any related itemized original receipts, purpose, and be processed through allowable cost centers.

C.1 Entertainment Expenses Not in Compliance

Nineteen out of 70 (27%) entertainment expense reports, totaling \$4,058.45, were selected for testing. Entertainment expenses were not processed in accordance with University policies and procedures. The following exceptions were noted:

Unauthorized Approvals

- Two (11%) entertainment expense forms were not signed by an authorized approver. The unauthorized expense forms totaled \$707.27.

Incomplete Support Documentation

- Seven (37%) expense reports did not contain itemized receipts. Non-itemized receipts totaled \$1,853.85.
- One (5%) expense report did not contain advance presidential approval for alcohol service. Incomplete documentation amount totaled \$617.03.

Untimely Reimbursement Request

- One (5%) expense report was not submitted within 60 days. Submission date was 80 days post-event. The late expense report totaled \$499.44.

University policies state that proof of payment and original and itemized receipts must be documented to validate that expenses were actually incurred. Entertainment reimbursements must be requested in a timely manner, within 60 days of the date on which the expense was incurred. Lack of oversight of entertainment expense forms and supporting documentation can lead to unallowable expenditures being charged to the University.

Recommendation:

Executives should ensure that authorized, complete, and timely support documentation is submitted for all entertainment reimbursements. Incomplete entertainment expense forms and reports should be re-routed for completion/correction. In addition, the Entertainment Form should be updated to reflect “supervisor” signature instead of “department head”.

Level: This finding is considered **MEDIUM** due to the potential level of risk from lack of compliance with University policies and procedures.

CONCLUSION

Based on the results of audit procedures performed, and improvements from prior audits, we conclude that T&E expenditures generally comply with UTEP and UT System policies. However, we identified opportunities to enhance and enforce existing T&E policies, specifically:

- Travelers should reasonably estimate travel costs when requesting authorization through a *PeopleSoft Travel Authorization* document.
- Requests for T&E reimbursements should be authorized and timely.
- Complete and detailed support documentation for T&E should be submitted and reviewed for accurate reimbursements.

We wish to thank University Executives and the management and staff of Disbursement Services for their assistance and cooperation provided throughout the audit.