



Office of Internal Audit

June 22, 2018

Dr. Sandra Woodley, President
The University of Texas of the Permian Basin
4901 E. University Boulevard
Odessa, Texas 79762

Dear Dr. Woodley:

We have completed our Executive Travel and Entertainment Expenses audit as included in the FY 2018 audit plan. This audit was conducted in accordance with guidelines set forth in UTS129, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, and *Generally Accepted Government Auditing Standards* (GAGAS) as issued by the Comptroller General of the United States.

The purpose of our audit was to determine if the appropriate UT System and UT Permian Basin (UTPB) policies and procedures were followed in the expense and reimbursement of travel and entertainment funds in fiscal year 2017 by University executives other than the President.

From our audit we noted one low-risk finding, and found that, overall, UTPB is in compliance with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

We wish to express our appreciation to the management and staff of UT Permian Basin for the courtesy and cooperation extended to us during this audit.

Sincerely,

Glenn Spencer, CPA
Chief Audit Executive

cc: Mr. Mark McGurk, CPA, Vice President over Business Affairs
Mr. J. Michael Peppers, CPA, UT System Chief Audit Executive

The University of Texas

of the Permian Basin

Executive Travel and Entertainment Expense Audit Report Fiscal Year 2017

June 2018



**Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762**

University of Texas of the Permian Basin
Executive Travel and Entertainment Expense Audit

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University of Texas of the Permian Basin
Executive Travel and Entertainment Expense Audit

Executive Summary

We have completed the Executive Travel and Entertainment Expense audit as included in our FY 2018 annual audit plan. This audit was conducted in accordance with guidelines set forth in UTS129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards* (GAGAS) as issued by the Comptroller General of the United States.

The purpose of our audit was to determine if the appropriate UT System and UT Permian Basin (UTPB) policies and procedures were followed in the expense and reimbursement of travel and entertainment funds in fiscal year 2017 by University executives other than the President.

During the course of our audit we noted minor exceptions in the following areas:

- On one occasion, an Official Occasion Expense Form signed by an individual requesting approval, and not by a higher level supervisor.
- On another occasion, a budget head approved a travel authorization for their spouse, thereby creating a conflict of interest.
- There were some minor discrepancies in meal reimbursements.

Overall, we found that the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

Background

In 2006, the UT System Board of Regents approved Rule 20205 "*Expenditures for Travel, Entertainment, and Housing by Chief Administrators*", which required annual audits of the travel, entertainment and housing expenses incurred by the Chancellor and institutional Presidents. In 2013, the Chancellor requested that the requirements be expanded to include an annual audit of the travel and entertainment expenses incurred by each institution's executives. This audit was performed to fulfill that requirement for UTPB.

Audit Objectives

The purpose of our audit was to determine whether:

- Appropriate policies and procedures of the UT System and UTPB were followed in the expense of travel and entertainment funds by UTPB executives.
- Expenses were for an appropriate business purpose in regard to the mission of UTPB.

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- Transactions were processed in a timely manner, were properly approved, and supported by appropriate documentation.

Scope and Methodology

Our audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards* (GAGAS) as issued by the Comptroller General of the United States.

We reviewed a sample of travel and entertainment transactions for selected UTPB executives for the period of September 1, 2016 through August 31, 2017. Our audit included the following procedures:

- Gained an understanding of the travel and entertainment expense process through interviews.
- Reviewed policies and procedures regarding travel and entertainment expenses.
- Reviewed the population of transactions and selected a statistically-valid sample for testing.
- Reviewed supporting documentation for each transaction in our sample.

Transactions included in our sample for testing were for the following individuals:

Provost and Vice President for Academic Affairs
Vice President for Business Affairs
Athletics Director
Chief Information Officer
Dean of College of Nursing
Dean of College of Arts and Sciences
Dean of College of Education
Dean of College of Business
Senior Associate Vice President for Student Services
Assistant Vice President of Research and Dean of Graduate Studies
Director of Institutional Research, Planning and Effectiveness
Executive Director of the John Ben Shepperd Institute
Chief of Police
Director of the J. Conrad Dunagan Library

Ranking Criteria

All findings in this report are ranked based on an assessment of risk factors, as well as the probability of a negative occurrence if the risk is not adequately mitigated. The criteria for the rankings are as follows:

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Priority – An issue identified by an internal audit, if not addressed immediately has a high probability to 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.

Current Year Audit Results

Out of 39 transactions reviewed (27 travel and 12 entertainment), we noted some minor exceptions which are summarized as follows:

- 1 instance where a request for reimbursement was approved by the individual requesting reimbursement, rather than by a supervisor.
- 1 instance where a travel authorization form was signed by a budget head for their employee spouse, which created a conflict of interest. In this instance, signature approval should have come from a higher level supervisor.
- 11 instances of minor over/under reimbursements – primarily due to not accurately following the UTPB policy on gratuities.

Assessed Level of Risk: Low

The total dollar impact of the over/under reimbursements was negligible, and calls for no payment back to UTPB. Based upon the results of our testing, we found that, overall, the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

Recommendation

Due to ongoing faculty and staff turnover, we recommend that UTPB continue to provide training and remind all employees of the specific travel and entertainment policies on a regular basis.

Management Response

At the beginning of each fiscal year, an email reminder will be sent to all employees of the travel and entertainment policies and procedures. Accounting will provide training on travel policies on a periodic basis throughout the fiscal year.

Implementation Date:

September 30, 2018

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Person Responsible for Implementation

Cuca Franco, Interim Director of Accounting

Status of Prior Year Findings and Recommendations

Management has implemented the sole recommendation from the prior year audit. See *Appendix A* for detailed results.

Conclusion

While we noted some minor exceptions, based upon the results of our testing, it is our opinion that overall the University is complying with UT System and UT Permian Basin policies and procedures in regard to executive travel and entertainment expenses.

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APPENDIX A

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

| No. | Finding | Recommendation | Status |
|-----|---|--|---|
| 1. | <p>We found that out of 66 transactions reviewed (44 travel and 22 entertainment), 12 transactions (18%) contained one or more exceptions, of which we noted 13 exceptions in total, summarized as follows:</p> <ul style="list-style-type: none"> • 4 instances where a gratuity was in excess of the authorized limit of 15% before taxes when using institutional funds, per UTPB policy • 1 instance of a reimbursement being slightly over-calculated • 5 instances where no detailed receipts were provided, only credit card receipts indicating total amount paid • 3 instances where reimbursements were not processed timely between 2-8 months after the transactions. | <p>Recommendations:</p> <ul style="list-style-type: none"> • All individuals that incur meal expenses should be made aware of the UTPB policy on gratuity limits. The current policy limits gratuities to 15% before taxes when using institutional funds. • When any type of credit cards are used and only total amounts are indicated on the receipt, itemized receipts showing the detail of the transaction should be obtained in addition to the credit card receipt. Without such detail, there is no method to verify items purchased and the total amount paid before taxes. • Reimbursement requests should be submitted and processed in a timely manner, preferably within 30 days after the transaction <p>Management Response: Management concurs with the recommendations. Our action plan follows:</p> <ul style="list-style-type: none"> • Review travel and entertainment guides and update/clarify as deemed appropriate. • Send an update email to all faculty and staff to remind them of institutional travel policies. The update will specifically address the recommendations and provide a link to the University travel policies. | <p>Implemented. A reminder of the policies sent to all faculty and staff by email on 9/15/17. Travel training and account reconciliation training provided by Accounting in 12/17 and 6/18.</p> |