



February 4, 2019

Peter W.T. Pisters, M.D.
The University of Texas MD Anderson Cancer Center
Office of the President
1515 Holcombe Boulevard
Houston, Texas 77030

Dear President Pisters:

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 report is attached for your review.

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 this audit included expenses incurred from December 1, 2017 through May 31, 2018. 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*.

Follow up procedures will be performed on the recommendations made in this report to determine their implementation status. Any potential requests for extension to the implementation dates require approval from the UT System Administration Internal Audit Committee. This process will help enhance accountability and ensure that audit recommendations are implemented in a timely manner.

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

Sincerely,

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

cc: Raymond S. Greenberg, M.D., Ph.D., Executive Vice Chancellor for Health Affairs, UT System
Benjamin Melson, Senior Vice President and Chief Financial Officer, UT MD Anderson
Sherri Magnus, Vice President & Chief Audit Officer, UT MD Anderson

**The University of Texas MD Anderson Cancer Center
Presidential Travel, Entertainment, & University Residence
Maintenance Expenses Audit Report
FY 2018**



February 2019

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST SEVENTH STREET
AUSTIN, TX 78701
(512) 499-4390



**The University of Texas System Audit Office
Presidential Travel, Entertainment, & University Residence Maintenance
Expenses Audit – UT MD Anderson Cancer Center
Fiscal Year 2018**

AUDIT REPORT

February 2019

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 MD Anderson Cancer Center (UT MD Anderson) 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 December 1, 2017 through May 31, 2018. UT MD Anderson did not have international travel or spousal travel/entertainment expenses during the audit scope and does not have university residence maintenance expenses.

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 and his spouse appeared appropriate, accurate, and in compliance with applicable policies. Adequate internal controls are in place and functioning as intended, except as noted below. Additional minor observations were separately communicated to management.

Chief Business Officer (CBO) Approval

For presidential travel and entertainment expenses that are direct-billed, CBO approval is not obtained as required by Regents' Rule 20205. This observation is considered a **medium-level** finding in accordance with UT System's internal audit finding classification system¹.

¹ 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.



**The University of Texas System Audit Office
Presidential Travel, Entertainment, & University Residence Maintenance
Expenses Audit – UT MD Anderson Cancer Center
Fiscal Year 2018**

Recommendation:

The Office of the President, working with the Office of Business Affairs, should facilitate a process to retain documentation of the CBO’s review and approval of direct billed travel and entertainment expenses for the president. Documented CBO approval should also be kept for the president’s spouse’s direct-billed and reimbursed travel and entertainment expenses, if paid with Office of the President funds.

Management’s Response:

Due to a change in Concur, airfare is no longer tied to other expenses related to trips approved by the CBO. A process will be implemented to have the CBO review and approve all direct billed airfare and entertainment expenses for the president and his spouse in her role as first lady.

Implementation Date:

By March 15, 2019, a plan will be discussed with the CBO that will best outline how to move forward with approvals.

Texas State Hotel Occupancy Taxes

State occupancy taxes were paid for some trips within Texas. Per Travel Policy, “MD Anderson is exempt from the state portion of the Hotel Occupancy tax within the State of Texas”, which is aligned with the Texas Tax Code Chapter 156. This observation is considered a **medium-level** finding in accordance with UT System’s internal audit finding classification system¹.

Recommendation:

The Office of the President should implement a process to ensure that state hotel occupancy taxes are not paid for Texas lodging going forward. Additionally, a review of past Texas trips should be performed to identify if any other payments of state hotel occupancy taxes were made, either with state or local funds. If discovered, efforts should be made to request refunds from the hotels. If any reimbursements were received from the State Comptroller for amounts paid with state funds, they should be returned.

Management’s Response:

Will make every effort to have the president present the hotel tax exempt form when checking in to a State of Texas hotel. If he is billed for hotel taxes, the Office of the President will make every effort to work with the hotel to seek reimbursement and ensure no taxes are paid from State funds.

Implementation Date:

Immediately

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

Moshmee Kalamkar, CPA, CIA
Assistant Director