



January 30, 2019

Sandra K. Woodley, Ph.D.
The University of Texas Permian Basin (UTPB)
Office of President
4901 East University
Odessa, Texas 79762

Dear President Woodley:

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 the 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 July 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 recommendation made in this report to determine its implementation status. Any potential request for extension to the implementation date requires 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: Steven W. Leslie, Ph.D., Executive Vice Chancellor for Academic Affairs, UT System
Cesario Valenzuela, Vice President for Business Affairs and Chief Financial Officer, UTPB
Glenn Spencer, Chief Audit Executive, UTPB

**The University of Texas of the Permian Basin
Presidential Travel, Entertainment, & University Residence
Maintenance Expenses Audit Report
FY 2018**



January 2019

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**The University of Texas System Audit Office
Presidential Travel, Entertainment, & University Residence Maintenance
Expenses Audit – UT Permian Basin
Fiscal Year 2018**

AUDIT REPORT

January 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 Permian Basin was to determine whether travel and entertainment expenses incurred by the president and her 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 July 1, 2017 through May 31, 2018. UT Permian Basin did not have international travel or spousal 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 her spouse appeared appropriate, accurate, and in compliance with applicable policies. Additionally, adequate internal controls are in place and functioning as intended, except related to chief business officer (CBO) approval of direct-billed expenses. Additional minor observations were separately communicated to management.

The process during the audit scope included CBO review of estimated travel costs; however, these amounts were often less than actual expenses. Direct-billed social club membership expenses were also not approved by the CBO. Rule 20205 requires documented CBO approval



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of actual direct-billed expenses. This observation is considered a **medium-level** finding in accordance with UT System’s internal audit finding classification system¹.

Recommendation:

The President’s Office, working with Business Affairs, should implement a process, or modify current processes, as determined to be most practical, to ensure that all direct-billed actual expenses for the president and her spouse are reviewed with documented approval by the CBO.

Management’s Response:

The Vice President of Business Affairs and Chief Financial Officer (CFO) will review/ approve all costs that are directly billed for travel and entertainment. Current estimates for direct billed travel costs will be as accurate as possible, and if the amount is more than a \$100 difference (from the time the travel was created, and the time it is approved), the authorization form will be re-submitted for review and approval by the CFO.

In addition, in the event that a correction has been made to a travel reimbursement, this amendment will be resubmitted to be reviewed and resigned by the CFO.

All social fees are now being reviewed and approved by the CFO. This was implemented immediately, as soon as the observation was made known to our department.

Implementation Date:

Immediate

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

Moshmee Kalamkar, CPA, CIA
Assistant Director

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.