

University Travel

Audit Report # 20-114

April 10, 2020



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

"Committed to Service, Independence and Quality"



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

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April 10, 2020

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

Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited- scope audit of University Travel. 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 Disbursement Services and Contracts and Grants Accounting staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads 'Lori Wertz'. The signature is fluid and cursive, with the first name 'Lori' being more prominent than the last name 'Wertz'.

Lori Wertz
Chief Audit Executive

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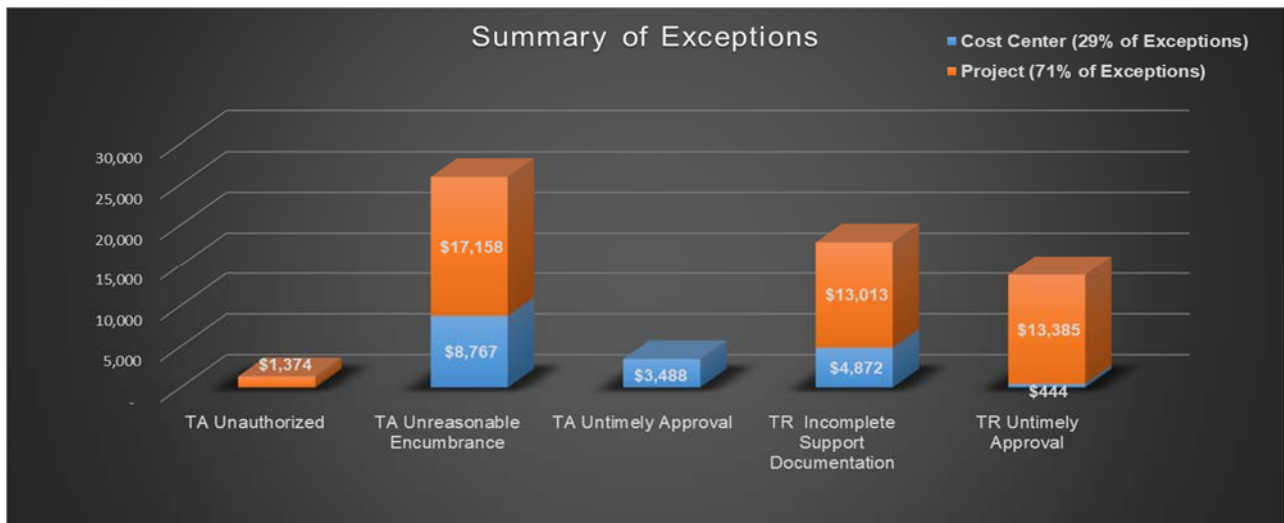
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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of The University of Texas at El Paso (UTEP) travel expenses incurred by faculty and staff to determine adherence to state regulations, and UTEP and UT System policies and procedures.

During the audit, we noted the following exceptions:



Travelers did not follow UTEP travel policies by:

- reserving airfare, lodging, and/or car rentals through an unauthorized source.
- providing insufficient support documentation to confirm expenses were actually incurred.
- submitting late reimbursement requests (93 to 246 days after trip) for approval. This should result in taxable income to the employee.
- authorizing their own travel
- encumbering estimated costs of travel less than 50% of actual costs.
- submitting travel requests the same day as travel.

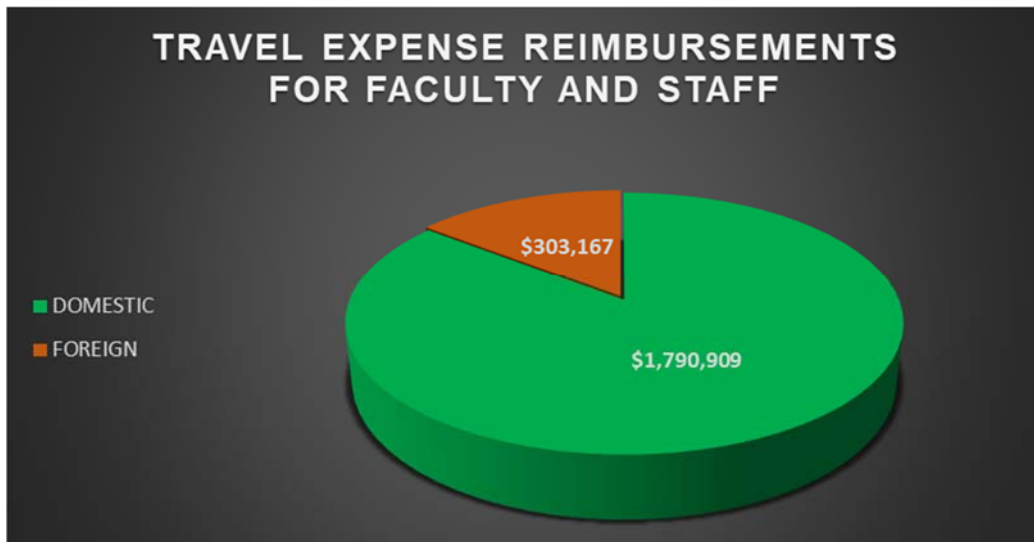
BACKGROUND

The University-wide campus risk assessment ranked travel expense reimbursements for faculty and staff as a high-risk audit area.

This audit included testing a sample of travel expenses for faculty and staff members to determine adherence to University policies and procedures, along with UT System and state regulations.

The Disbursement Services (DS) and the Contracts and Grants Accounting (C&G) departments issue travel expense reimbursements for trips funded by cost centers and project accounts, respectively.

We identified a testing population of 3,426 travel expense reimbursements, totaling \$2,094,076, for a 10-month period.



January 1, 2019 to October 31, 2019

AUDIT OBJECTIVES

The objectives of this audit are to:

- evaluate and test compliance with state regulations, UTEP and UT System policies and procedures for travel expenses incurred by faculty and staff of the University, and
- determine whether transactions are processed timely, properly approved, 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 scope of the audit included travel reimbursements and travel authorizations for faculty and staff for the period of January 1, 2019 through October 31, 2019.

Methodology included verification of travel authorizations (TAs) and travel expense reimbursements (ERs) through review of supporting documentation utilizing the PeopleSoft Financial Management System, and the use of data analytic tools to test for duplicate expense reimbursements.

RANKING CRITERIA

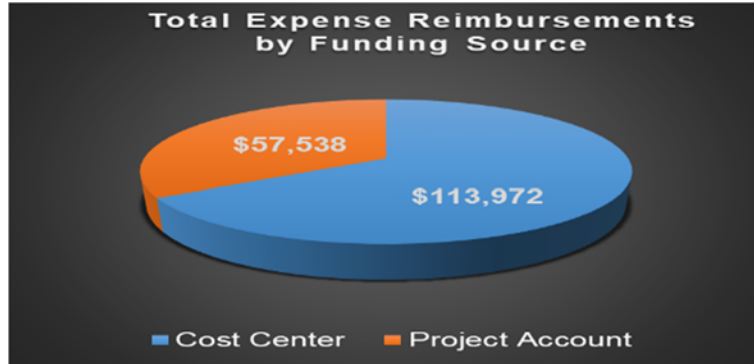
All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

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 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 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 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 Expenditures

We selected a sample of 60 travel expense reimbursements from cost centers and sponsored project accounts to perform detailed testing. The sample included 40 domestic and 20 foreign travel reimbursements totaling \$171,510.



Testing criteria included policies and guidelines for travel from the UTEP Handbook of Operating Procedures (HOP) Section VII, Chapter 6 and the UTEP Business Process Guidelines (BPG).

A.1. Travel is not always reserved through authorized sources	Medium Risk
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- Twenty-three (38%) travelers did not use the authorized travel sources to book lodging, car rentals, and/or airfare.

Unauthorized Sources	International Lodging ¹	Car Rental	No SOS ²
Direct book	7	2	3
Third party websites*	8	1	2
Number of Exceptions	15	3	5
Total Exceptions	23		

*Hotels.com, Expedia, or Travelocity

¹ International travelers are required to use the contracted resources such as Anthony Travel or Concur for lodging, car rental, and airfare.

² International SOS provides emergency medical assistance and evacuation services to all UT institutions and its members who travel abroad.

When using unauthorized reservation sources, detailed receipts are not always provided by the employee or third party vendor. This makes it difficult to verify that trips comply with internal and external travel policies. Additionally, when authorized providers (Anthony Travel) are used, international travelers are automatically enrolled in the emergency International SOS program. SOS enrollment could not be confirmed for five of 60 trips.

Without detailed receipts, the University could reimburse the traveler for unallowable expenditures. Furthermore, not enrolling in the required emergency program poses a safety risk to the employee traveling abroad on University business.

Recommendation

Travelers should:

- *Use authorized travel agencies for arranging lodging, car rentals, and airfare to provide cost saving benefits to the University.*
- *Provide detailed receipts for reimbursement.*
- *Self-enroll in international SOS while traveling abroad when exempted from using the authorized providers.*

DS and C&G should request an exception memo from the employee and their supervisor allowing the use of unauthorized travel resources if deemed necessary prior to travel. Requests without proper justification should not be reimbursed.

Management Response:

Additional training and refresher courses will be provided to Disbursement & Travel Services staff and the C&G Support Center staff to ensure they are requesting the proper supporting documentation, to include exception memos, as required. The two offices will collaborate to update training for campus processors, travelers and the campus community in general. Training sessions will be conducted at least once per semester to ensure travel policies are communicated across campus on a regularly scheduled basis. The training will also emphasize the importance of using University authorized providers, especially with international travel and required registration with international SOS.

Responsible Party:

*Guadalupe M. Gomez, Director – Contracts & Grants Accounting
Antonio Romero, Asst. Director – Disbursement & Travel Services*

Implementation Date:

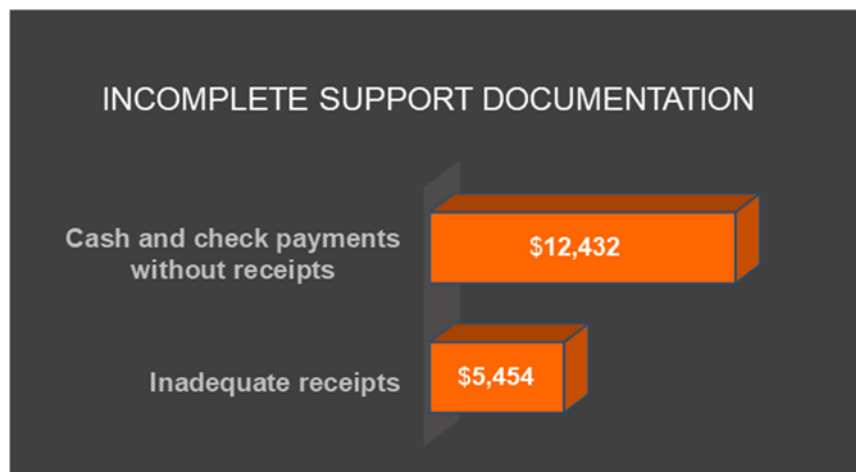
May 22, 2020

A.2. Travel expense reports do not always have complete support documentation and/or are not submitted timely	Medium Risk
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Travelers are required to submit reimbursement requests within 90 days from the date of their return with itemized receipts.

The following exceptions included:

- Six (10%) travelers did not provide complete support documentation, totaling \$17,886. One of the six exceptions totaled \$13,013, for a single reimbursement.



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- Four (7%) travelers did not submit reimbursement requests timely. The number of days ranged from 93-246 days and totaled \$13,829.

³Inadequate receipts include non-itemized hotel, car rental, and registration fees.

DS and C&G:

- reimbursed travelers who did not provide sufficient support documentation for some expenses.
- did not always report late reimbursements as income in order to apply the applicable tax withholding rates.

Incomplete support documentation that cannot be confirmed as true and accurate may result in possible financial loss to the University. Late reimbursements increase the risk of noncompliance with tax regulation/reporting.

Recommendation

AP and C&G should:

- *Ensure travelers follow all institutional policies regarding allowable travel reimbursements.*
- *Re-route incomplete or improper requests back to the sender for correction/completion.*
- *Route late reimbursement requests through payroll for proper taxation.*

Management Response:

Additional training will be provided to the staff of both Disbursement and Travel Services and the C&G Support Center to ensure they are requesting the required supporting documentation, to include exception memos. The management of both Disbursement & Travel and C&G will work with the Payroll Office management to formalize a process to report taxable events on a monthly basis, so that these are added to taxable income at calendar year end. A/P Management to obtain a better understanding of the correct process for identifying reimbursements processed after 90 days. Disbursement services will also implement a “sent back” report to help identify recurring issues and/or processors/travelers so that training may be targeted in these areas.

Responsible Party:

*Guadalupe M. Gomez, Director – Contracts & Grants Accounting
Antonio Romero, Asst. Director – Disbursement & Travel Services*

Implementation Date:

April 30, 2020

B. Other Issues

Travel authorizations (TAs) are initiated and approved at the departmental level and do not route to DS and/or C&G until the expense reimbursement is requested. Additional issues beyond the control of the DS and/or the C&G departments include:

B.1 Travel authorizations are not always reasonably encumbered or authorized timely

- Twelve (20%) travelers did not reasonably estimate the cost of their trips. A \$25,926 of \$32,246 (80%) difference was unencumbered but later reimbursed.
- One traveler authorized their own trip for an estimated \$1,400.

The PeopleSoft (PS) routing system is set up to route to the cost center/project budget authorities and the employee's supervisor. In this case, the supervisor was the traveler and the authorization did not escalate for approval.

- Five (10%) travel authorizations totaling \$3,488 were approved on the same date of travel.

PS travel training should include the purpose/reasoning behind travel policies. Policies help reduce conflicts of interest, allow for proper budgeting, and provide time saving benefits to the departments. Additionally, Department Supervisors should communicate any deviations in the workflow to the PS team for correction.

B.2 Duplicate Expense Reimbursements

DS established an enhanced internal process to monitor duplicate employee reimbursements in September 2018 based on the results of the Non-P.O. Purchases Audit #18-104. We identified 15 potential duplicate transactions during this audit period, totaling \$2,630.

DS and C&G contacted all employees regarding their duplicate payments; however, \$1,121 (43%) remains unpaid as of the report date.

DS and C&G are following up on duplicate reimbursements; however, the University should develop an escalation process for employees who do not reimburse the University timely.

We commend the departments for their proactive efforts and recommend they continue with this best practice to ensure that all potential duplicates are reviewed and recouped timely.

B.3 Cancelled/Lost Airfare

In a 10-month period, The University lost at least \$10,262 on paid flights that were not cancelled according to the UTEP Suspended Ticket Report⁴.

At this time, DS should develop a plan to obtain and communicate the information in the Suspended Ticket Report to the directors and deans of the departments/colleges on campus.

⁴ The report only included information from American Airlines, Southwest Airlines, and United Airlines.

CONCLUSION

Based on the results of audit procedures performed, we conclude that Disbursement Services and Contracts and Grants Services have:

- robust travel policies and guidance.
- an enhanced system of duplicate reimbursement detection and a proactive collection method. Duplicate expenses have decreased by 38% since 2018.

However, DS and C&G could improve complete and timely reimbursements by:

- verifying that complete support documentation is provided with each request.
- routing late requests through the proper taxing application.

University travelers and departments/colleges could improve the travel authorization and reimbursement process by attending PS training and following established UTEP travel policies and procedures.

The University may consider escalating duplicate expense reimbursement notifications to the employee's supervisor, dean, and/or their respective vice president for assistance in recuperating overpayments.

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