

August 25, 2020

MEMORANDUM

TO: Ben Melson
Senior Vice President and Chief Financial Officer

FROM: Sherri Magnus *Sherri Magnus*
Vice President & Chief Audit Officer

SUBJECT: 20-305 Presidential Travel and Business Entertainment Expenses

As part of our FY20 audit plan, Internal Audit has completed the review of the President's Travel and Business Entertainment expenditures for the period of January 1, 2019 through December 31, 2019. The objective was to review travel and business entertainment expenses incurred by the president and his spouse for proper approval, supporting documentation, accuracy, business purpose, allowability, and timeliness, in accordance with institutional policies and UT System rules and regulations.

We reviewed 100% of travel, business entertainment and direct billed catering expenditures totaling \$39,739, for calendar year 2019. Our testing methodology included assessing the accuracy and appropriateness of expense purposes and approvals, comparing supporting documentation to reimbursed expenses and evaluating expense allowability in accordance with institutional policies and guidelines. We also followed up on prior recommendations reported by UT System Audit, from the prior year's review of Presidential expenses.

Specifically, we reviewed a total of 40 trips with travel expenditures. Each of the 40 trips were assessed for two levels of approval by appropriate personnel, business purpose for the travel, hotel expenditures charged and subsequently reimbursed and allowability of reimbursement for incurred expenses.

The travel and entertainment expenses incurred by the president and his spouse appeared appropriate, accurate, and generally complied with applicable policies. The direct billed expenses related to catering were reviewed by the Chief Business Officer (CBO). However, the application being used did not have the correct configuration to allow for his approval. This has been subsequently corrected (a prior observation identified by UT System). Follow up related to the prior observation related to hotel occupancy taxes indicated that corrective actions have been implemented. Refer to **Appendix A** for detailed follow up results. Minor observations were separately communicated to management.

Recommendation:

RANKING: LOW

The President's Office should coordinate with the CBO to ensure the approval of direct billed expenses occurs and is properly documented.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Managements Action Plan:

The President's Office modified the current process so that the CBO now officially approves direct billed expenses.

Responsible Executive: Ben Melson

Owner: Laura Longoria

Due Date: Implemented

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Appendix A

The following observations were made in the UT System February 2019 Presidential Travel and Entertainment Expenses Audit report:

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

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.

Status: Implemented per client

Internal Audit noted the Senior Vice President and Chief Financial Officer did receive and review direct billed expenses over \$100; however due to the configuration of Catertrax, the catering order system, the CBO was unable to approve them. This has subsequently been corrected. Implementation will be validated during the next scheduled audit.

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

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

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

Status: Implemented

Internal Audit noted the process for ensuring State of Texas hotel occupancy taxes are not reimbursed, appears to be consistently applied. Additionally, we noted zero of the 18 State of Texas trips with incurred hotel expenditures, during calendar year 2019, included the reimbursement of State of Texas hotel occupancy taxes.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

Number of Priority Findings to be monitored by UT System: None

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."

The courtesy and cooperation extended by the President's Office are sincerely appreciated.

cc: Dr. Peter WT Pisters, President
Fatima Sheriff, Chief of Staff, Presidents Office
Laura Longoria, Admin Manager, President's Office
J. Michael Peppers, Chief Audit Executive, UT System

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.