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System Audit Office

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November 30, 2012

The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas – Pan American
The University of Texas
of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler

Francisco G. Cigarroa, M.D., Chancellor
Office of the Chancellor
The University of Texas System Administration
601 Colorado Street, OHH 4th Floor
Austin, Texas 78701

Dear Dr. Cigarroa:

We have completed the audit of the Chancellor's travel, entertainment, and university residence maintenance expenditures. The detailed report is attached for your review.

The University of Texas
Southwestern Medical Center at Dallas
The University of Texas
Medical Branch at Galveston
The University of Texas
Health Science Center at Houston
The University of Texas
Health Science Center at San Antonio
The University of Texas
M. D. Anderson Cancer Center
The University of Texas
Health Center at Tyler

We conducted our audit as required by The University of Texas (UT) System Board of Regents' *Rules and Regulations*, Rule 20205 titled Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences, and in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the support and assistance provided by the staff from various offices of UT System Administration.

Sincerely,

www.utssystem.edu

J. Michael Peppers, CIA, CRMA, CPA, FACHE
Chief Audit Executive *ad interim*

cc: Wm. Eugene Powell, Chairman of the Board of Regents
Francie A. Frederick, General Counsel to the Board of Regents
Jana B. Pankratz, Deputy to the Chancellor

**The University of Texas System Administration
Chancellor's Travel, Entertainment, and University Residence
Maintenance Expenditures Audit Report
FY 2013**



November 2012

**THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
702 COLORADO STREET, CLB 3.100
AUSTIN, TX 78701
(512) 499-4390**



**The University of Texas System Audit Office
Chancellor's Travel, Entertainment, and University Residence Maintenance
Expenditures Audit
Fiscal Year 2013**

AUDIT REPORT

November 2012

BACKGROUND

In performing their duties, the Chancellor and his spouse are often called upon to travel on behalf of University of Texas (UT) System Administration and the institutions, to extend official hospitality to important visitors, and to entertain guests. UT System Administration makes reimbursements to, or payments on behalf of, the UT System Chancellor or his spouse for travel and entertainment expenses and expenses for the maintenance of the University residence, Bauer House, that he or his spouse incur as part of their official duties. Guidance for the Chancellor's expenses is provided by various state laws and rules and regulations promulgated under those laws, as well as Systemwide and UT System Administration policies and procedures, including but not limited to the UT System Board of Regents' (BOR) *Rules and Regulations*, Rule 20205, titled Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences (Rule 20205); the Administrative Policy on Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds; the Travel Policy; the Chancellor's employment contract; and various UT System purchasing policies.

This audit was conducted as part of the Fiscal Year 2013 audit plan as required by Rule 20205, which states that "within 90 days after the end of each fiscal year, the System Audit Office shall audit the travel and entertainment and expenses for the maintenance of University residences for which the Chancellor or spouse have been reimbursed or that have been paid directly on the Chancellor's or spouse's behalf." Rule 20205, also includes the following expense requirements: appropriate business purpose, sufficient documentation, timely reimbursement, accurate reporting, and proper approval.

AUDIT OBJECTIVE, SCOPE, & METHODOLOGY

The objective of the audit was to determine whether the travel and entertainment expenses and expenses for the maintenance of Bauer House reimbursed to, or paid on behalf of, the Chancellor or his spouse are appropriate and accurate. The audit scope included activity for the period September 1, 2011 through August 31, 2012. Our audit procedures included testing controls to determine whether applicable policies and procedures were properly followed and selecting a sample of expenses to perform substantive tests to determine whether expenses were appropriate and accurate. 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*.

RESULTS & CONCLUSION

A sample of the Chancellor's and his spouse's travel, entertainment, and university residence maintenance expenses during the audit scope was judgmentally selected for testing. In addition, a review was performed of the Chancellor's quarterly expense reports, the personal services provided by Bauer House staff to the Chancellor and his spouse, and the usage of the UT System plane by the Chancellor and his spouse. Overall, it was found that the expenses are appropriate and accurate and that the internal controls in place are properly functioning to ensure that applicable state laws and UT System policies and procedures are being followed.

We would like to thank the staff from the Office of Chancellor and Accounting and Purchasing Services for their support and assistance during this audit. We hope that the information in this report is helpful.

J. Michael Peppers, CIA, CRMA, CPA, FACHE
Chief Audit Executive *ad interim*

Moshmee Kalamkar, CIA, CPA
Audit Manager