December 4, 2014

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 University of Texas (UT) System Administration Executive and Senior Management Travel and Entertainment Expenses. The detailed report is attached for your review.

We conducted our audit 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,

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

cc: Jana Pankratz, Deputy to the Chancellor
The University of Texas System Administration

Report on the Executive & Senior Management
Travel and Entertainment Expenses Audit
Fiscal Year 2014

December 2014

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST 6th STREET, SUITE B.140E
AUSTIN, TEXAS 78701
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BACKGROUND
Since Fiscal Year (FY) 2007, the travel and entertainment expenses and expenses for the maintenance of University residences for which the Chancellor has been reimbursed or that have been directly paid on the Chancellor's behalf have been audited annually as required by The University of Texas (UT) System Board of Regents' Rules and Regulations, Series 20205 (Rule 20205): Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences. To further enhance transparency and accountability, the audit of executive level travel and entertainment expenses was started in FY 2013.

UT System Administration makes reimbursements to, or payments on behalf of, employees for travel and entertainment expenses that they incur while conducting official business. Guidance for travel and entertainment expenses is provided by various state and federal 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' Rules and Regulations; INT114 Travel Policy (Travel Policy); INT115 Administrative Policy on Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds (Entertainment Policy); various UT System purchasing policies; the State of Texas Travel Regulations Act; the General Appropriations Act; the State of Texas Travel Guide; official interpretations of the Travel Regulations Act by the State Comptroller of Public Accounts; and the Internal Revenue Code.

AUDIT SCOPE, OBJECTIVE, & METHODOLOGY
For the FY 2013 audit, the 11 UT System Administration Executive Officers (executive officers) were included in the audit scope. The scope was expanded to also include the UT System Administration associate and assistant vice chancellors (senior management) for the FY 2014 audit. In total, there are 24 associate (18) and assistant (6) vice chancellors. While each of the executive officer's and senior management member's travel and entertainment expenses were reviewed, detail testing of their expenses may not have been performed. This determination was made based on both an analysis of risk and an element of rotation.

The objective of the audit was to determine whether the travel and entertainment expenses reimbursed to, or directly paid on behalf of, the executive officers and senior management are appropriate, accurate, and in compliance with applicable policies and procedures. The audit scope included activity for the period September 1, 2012 through April 30, 2014. The audit procedures involved performing analytical reviews for all employees and testing a sample of expenses for select employees. In addition, follow-up procedures were completed on two recommendations from the Report on the Executive Officers’ Travel and Entertainment Expenditures Audit, issued in March 2013.

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 (Standards).
RESULTS
Overall, we found that the executive officers’ and senior management’s travel and entertainment expenses are appropriate and accurate. Additionally, the internal controls in place are properly functioning to ensure that applicable policies and procedures are being followed. We noted some isolated issues from the detail testing (related to approval, timeliness, supporting documentation, gratuity, payment of an overage with state funds, and a duplicate reimbursement), which were separately communicated to the responsible parties, who agreed to address them.

We also made the suggestion to a few departments to utilize the travel expense worksheet that is available on the Accounting and Purchasing Services website to facilitate the review of supporting documentation for travel expenses, especially for multi-destination trips or expense reimbursement vouchers that are paid with both state and institutional funds due to overages.

FOLLOW-UP RESULTS
We conducted our follow-up in accordance with the Standards, which require that we ensure management has effectively implemented the recommendations or has accepted the risk of not taking action. We determined that management has fully implemented the two recommendations made in the prior year’s audit related to the Entertainment Policy and supporting documentation for travel expenses.

CONCLUSION
Overall, the executive officers’ and senior management’s travel and entertainment expenses are appropriate and accurate and the internal controls in place are properly functioning to ensure that applicable policies and procedures are being followed. In addition, we determined that management has fully implemented the two recommendations from the Report on the Executive Officers' Travel and Entertainment Expenditures Audit, issued in March 2013.

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

Moshmee Kalamkar, CPA, CIA
Manager of Audits