



UNIVERSITY OF
TEXAS
ARLINGTON

EXECUTIVE TRAVEL & ENTERTAINMENT EXPENSES AUDIT


JANUARY 14, 2016

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MEMORANDUM

TO: Dr. Vistasp Karbhari
President

FROM: J. Richard Dawson 
Interim Chief Audit Executive, Office of Internal Audit

DATE: February 3, 2016

SUBJECT: Executive Travel & Entertainment Expenses Audit Report Dated January 14, 2016

Executive Summary

UT System administration has requested that an annual review of travel and entertainment expenses of all UT System executives be conducted in an effort to improve transparency and accountability. The executive population defined for this audit includes employees with the title of Vice President through Chairpersons. As a result of this request, we included an audit in our FY 2015 annual audit plan. The objective of this audit was to determine whether executive travel and entertainment expenses are appropriate, accurate and comply with UT System and UT Arlington policies and procedures, as well as federal and state laws and regulations.

Based on the results of the audit procedures performed and samples tested, overall, policies and procedures were generally followed. The primary issue noted and addressed in the report is the need for clarity of the per diem policy and a consistent reimbursement methodology.

The reportable findings and recommendations in this audit were deemed significant to the department or process. None of the findings are deemed as a “priority finding” to the University. 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. Standard factors for determining a Priority Finding have been established in three categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks.*”

We appreciate the courtesy and cooperation we received from Accounting Services – primarily Procurement Services, Travel Support Services and the Accounts Payable Department, and the various executives contacted during the audit.

Background Information

Since fiscal year 2007, Regents' Rules and Regulations 20205 "Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences" required annual audits of the Chancellor's and Presidents' travel and entertainment expenses. To further efforts of improving transparency and accountability, the Chancellor requested that this audit be expanded to include the travel and entertainment expenses of all UT System executives beginning with fiscal year 2013.

Objectives

The objective of the audit was to determine whether executive travel and entertainment expenses are appropriate, accurate and comply with UT System and UT Arlington policies and procedures as well as federal and state laws and regulations.

Scope and Methodology

To achieve the audit objectives, we reviewed the relevant UT System and UT Arlington policies and procedures, related federal and state laws and regulations, and expense reports from UT Share (PeopleSoft) – the University's Financial Management System.

We judgmentally selected a sample of 10 out of 90 executives who had travel and entertainment expenses for the period of April 1, 2014 to March 31, 2015. The total expenses for the period were \$446,172. This included 15 travel-related reimbursements in the amount of \$53,830 and 14 entertainment-related expenses totaling \$3,405 – representing 13% of the total population.

Audit Results

Per Diem Payments

We selected a sample of travel expenditures to conduct detailed testing and interviewed individuals that prepare travel reimbursements. Based upon our work, there continues to be a misunderstanding and confusion regarding Procedure 2-86: *Meals, Lodging, Incidental Expenses and Other Fees for Travel for State and Local Funds* which states that the State of Texas and UT Arlington do not pay per diem for meals and incidental expenses. In addition, we believe that Travel Support Services adds to the confusion by appearing to allow per diem to be claimed in some instances and not in others. While that may not be their intention, this is the feedback we received. We believe clarity of the policy and a consistent reimbursement methodology needs to be established.

The associated risk is that university funds are potentially being used for travel costs which are not actually being incurred.

Recommendation (Low):

Develop an action plan that will ensure that University policy is followed and the expectations are clearly understood. The actions may require modifications to the University policy and/or updated training for users.

Management Response/Action Plan:

In order to provide clarity of the university's travel reimbursement policy, we will be implementing the following actions:

- *Amend Procedure 2-86, Section IV, to convey that travelers are reimbursed for actual meal expenses, and not flat rates or per diems.*
- *Staff of Travel Services will review Expense Reports for patterns of flat reimbursements. Travelers may be required to submit receipts if necessary to ensure actuals are being submitted for reimbursement.*
- *Update Form 2-100, Travel / Non-Travel Expense Cover Sheet. Two (2) certifications will be added to ensure the traveler is only claiming actuals and they have read and understand the University's travel procedures.*
- *Disseminate to campus a memo regarding meal reimbursements.*

Target Implementation Date: June 4, 2016

Responsible Party: Julia Cornwell, Sr. Director, Procurement Services

Conclusion

Based on the results of the audit procedures performed and samples tested, overall, policies and procedures were generally followed. However, there remains confusion by departmental personnel regarding how to interpret University procedure 2-86.

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System policy UTS 129 titled "Internal Audit Activities" requires that we adhere to the *Standards*.

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