PRESIDENT'S TRAVEL, ENTERTAINMENT AND HOUSING EXPENSES AUDIT

NOVEMBER 30, 2012

INTERNAL AUDIT DEPARTMENT
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MEMORANDUM

TO: James D. Spaniolo  
President

FROM: Ken Schroeder  
Director of Internal Audit

DATE: November 30, 2012

SUBJECT: President’s Travel, Entertainment and Housing Expenses Audit Report Dated November 30, 2012

Executive Summary

The University of Texas at Arlington (UT Arlington) has established policies and procedures for travel, entertainment and housing expenditure reimbursements to employees including State, Federal and Board of Regents’ Rules and Regulations. The objective of this audit was to provide assurance that the Fiscal Year 2012 travel and entertainment expenses for the President comply with these policies and procedures. Regents Rule 20205 requires that an audit of the President’s travel and entertainment expenses be completed within 90 days after the end of each fiscal year. The period of this audit covered transactions recorded for the period September 1, 2011 through August 31, 2012.

The audit resulted in no findings considered significant to University operations. Based on our audit, the President’s travel and entertainment reimbursements and payments to third parties on behalf of the President were reasonable and appropriate. All applicable State, Federal, Board of Regents’ and University rules have been complied with.

We appreciate the courtesy and cooperation we received from the President’s Office staff throughout this audit. If you have any questions, please contact me at extension 2-2018.

cc: Dr. Ronald L. Elsenbaumer, UT Arlington, Provost and Vice President for Academic Affairs  
Ms. Kelly Davis, UT Arlington, Vice President for Business Affairs and Controller  
Mr. John Hall, UT Arlington, Vice President for Administration and Campus Operations  
Ms. Marcy Sanders, UT Arlington, Executive Associate to the President  
Dr. Pedro Reyes, UT System, Executive Vice Chancellor for Academic Affairs  
Mr. Alan Marks, UT System, Attorney – General Law Section  
Mr. J. Michael Peppers, UT System, Chief Audit Executive ad interim  
Ms. Moshmee Kalamkar, UT System, Audit Manager  
Mr. Ed Osner, Legislative Budget Board  
Mr. Jonathan Hurst, Governor’s Office of Budget, Planning and Policy  
Internal Audit Coordinator, State Auditor’s Office  
Mr. Joey Longley, Sunset Advisory Commission
Background Information

The UT Arlington President performs duties that include attending various events, traveling on University business, and hosting University functions and meetings. He is reimbursed for travel and entertainment expenditures that he incurs as part of his official duties. Regents’ Rules and Regulations, Series 20205 titled “Expenditures for Travel, Entertainment and Housing by Chief Administrators” provides that:

- All expenditures for travel by a chief administrator or his or her spouse must be for a business purpose of the U. T. System or the institution and must comply with all laws and policies of the institution and the U. T. System.

- All expenditures that exceed $10,000 for the furnishing, maintenance, or repair of a residence or its grounds owned by the U. T. System must be approved in advance by a committee composed of the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the Counsel and Secretary to the Board of Regents.

- A chief administrator must request any reimbursement for travel, entertainment, or housing expenses within 90 days of the date on which the expense was incurred.

- Each chief administrator shall file quarterly reports of travel, entertainment and housing expenses in a format to be developed by the Executive Vice Chancellor for Business Affairs.

- The quarterly reports must include each expense that exceeds $100 and that is reimbursed to the chief administrator during the quarter or directly paid to a vendor on the chief administrator’s behalf. The quarterly reports must include each travel, meal or incidental expense that exceeds $100 and that is reimbursed to a chief administrator’s spouse during the quarter or directly paid to a vendor on the spouse’s behalf.

- A summary of the expense reports will be provided to the Board of Regents annually in a format to be developed by the Executive Vice Chancellor for Business Affairs.

- Within 90 days after the end of each fiscal year, the office that performs internal audits at each institution shall audit the travel, entertainment, and housing expenses for which the president or spouse has been reimbursed or that have been paid directly to a vendor on the president’s or spouse’s behalf.

University guidance for reimbursement of travel and entertainment expenditures is provided by UT Arlington policies included in the Procedures, Sections 2-73 through 2-90 related to travel reimbursements and Section 4-26 titled “Reimbursements and Payments Other than for Travel and Purchase Orders” and IRS Regulations. All of the President’s travel and entertainment
expenses have to be properly approved. The primary authorized approval authority for the
President’s expenses is the Vice President for Business Affairs and Controller also known as
the Chief Business Officer (CBO). In case the CBO is absent, the Vice President for
Administration and Campus Operations is also authorized to review and approve the expenses.

University of Texas System Policy 120 (UTS 120) – Spousal Travel Policy provides that “A
spouse of a chief administrative officer designated as a ‘Special Assistant’ or ‘Associate’ is
entitled to reimbursement or direct payment for the actual cost of travel, meals, and incidental
expenses when functioning in that capacity in performing the duties described in this policy.”
The President does not have a spouse; therefore, there were no expenses incurred or paid under
the spousal travel and entertainment policy during Fiscal Year 2012.

The President does not utilize University employees to provide housekeeping or grounds
keeping services at his personal residence.

The President’s travel and entertainment expenses for the past two fiscal years were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2012</th>
<th>Fiscal Year 2011</th>
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<tbody>
<tr>
<td>Travel and Entertainment</td>
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<td>Reimbursements</td>
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<td>$6,262</td>
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<td>Centrally Billed Air Fare</td>
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<td>$18,748</td>
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Objectives

The objective of this audit was to provide assurance that the Fiscal Year 2012 travel and
entertainment expenses for the President comply with University, State, Federal and Board of
Regents’ Rules and Regulations. This overall objective included several sub-objectives as
follows:

- Provide assurance that the President’s travel and entertainment expenses are handled in
  accordance with Regents' Rule 20205;
- Determine the reliability and integrity of the President’s travel and entertainment
  expenditures;
- Determine the reliability and integrity of spousal travel and entertainment expenditures;
- Determine compliance with the applicable policies, procedures, laws, and regulations;
- Determine if the President utilized the services of Facilities Management at his personal
  residence; and
• Provide assurance that any gifts given by the President were handled in accordance with the University Gifts Policies.

Scope and Methodology

The internal audit was performed in accordance with guidelines set forth in the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. The 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. UTS 129 titled “Internal Audit Activities” require that we adhere to the Standards.

This audit included travel, entertainment and housing expenses reimbursements paid to the President during the period September 1, 2011 through August 31, 2012. Also, included in the review were expenditures to third parties made on his behalf such as centrally billed airfare, professional membership fees, University sponsored events and functions, and gifts given by the President.

Audit Results

President’s Travel and Entertainment Expenditures:

Analytical Review Procedures
We performed an analytical review of transactions in accounts under the direct responsibility of the President which included such items as memberships in community service organizations and chambers of commerce, contract services for personnel recruiting, and various other functions and events in connection with University events and business. We also reviewed gifts given by the President. There were no exceptions or unusual or extraordinary items noted in this review.

Tests of Transaction Procedures
We performed tests of transactions on a sample basis to test whether significant controls were functioning for the President’s expenses. We sampled 7 reimbursement vouchers accounting for 22% of the reimbursement vouchers and 52% of total dollar reimbursements to the President during the period. For the centrally-billed air fare charges, we noted that the President traveled using state government rates or lower contracted rates where applicable. The transactions included in our sample were tested for:

• Proper approval
• Adequate supporting documentation
• Mathematical accuracy
• Adequate and appropriate business purpose
• Proper recording
President’s Travel, Entertainment and Housing Expenses
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- Allowable limits, as applicable
- Non-reimbursement of prohibited items
- Timeliness
- Proper account and object codes
- Compliance with policy and procedure
- Usage of State Government rates for hotel charges and air fares, where applicable

There were no significant errors noted in performing the above tests.

Review of Quarterly Report Procedures
The quarterly reports filed with UT System which require information on the President’s travel and entertainment expenditures greater than $100 were reviewed and tested. We found that the reports were accurate and properly completed.

UTS 120 – Spousal Travel and Entertainment Expenditures:

During Fiscal Year 2012, we determined there were no expenses incurred or paid to “Special Assistants” or “Associates to the Chief Administrative Officer.” The President does not have a spouse; therefore, there were no expenses incurred or paid under the spousal travel and entertainment policy.

Facilities Management Services:

The President does not utilize University employees to provide housekeeping or grounds keeping services at his personal residence. Our review with Facilities Management personnel indicated there was no use of University resources for the personal benefit of the President.

Conclusion

The audit resulted in no findings considered significant to University operations. Based on our audit, the President’s travel and entertainment reimbursements and payments to third parties on behalf of the President were reasonable and appropriate. All applicable State, Federal, Board of Regents’ and University rules have been complied with.

We appreciate the courtesy and cooperation received from the President’s Office staff throughout the audit.