FY13-14 Executive Travel and Entertainment Expenses Audit

Office of the Vice-President and Chief Financial Officer

April 2016

The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117
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This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, the Governor’s Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

FY13-14 Executive Travel and Entertainment Expenses Audit
Project #15.003
April 1, 2016

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Fenves,

We have completed our audit of Executive Travel and Entertainment Expenses. Our scope included expenses for fiscal years 2013 and 2014.

Based on the audit procedures performed, we conclude that the executives selected have reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted in the area of adequate supporting documentation. Our audit report provides detailed observations for each area under review. Suggestions are offered for improvement in the existing control structures.

We appreciate the cooperation and assistance throughout the audit of the executives selected, and hope that the information presented herein is beneficial.

Sincerely,

Michael W. Vandervort, CPA
Chief Audit Executive

cc: Institutional Audit Committee Members
Ms. Mary Knight, Associate Vice President for Finance, Vice President and Chief Financial Officer (Interim), Office of the Vice-President and Chief Financial Officer
Ms. Nancy Brazzil, Deputy to the President and Chief of Staff, Office of the President
Ms. Patricia Ohlendorf, Vice President for Legal Affairs
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
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EXECUTIVE SUMMARY

This audit was conducted as required by The University of Texas System (UT System) Audit Office, as part of our Fiscal Year 2015 Audit Plan.

Conclusion
Ten executives were chosen as a sample to represent the executives at The University of Texas at Austin (UT Austin). Based on a review of relevant policies, procedures, and supporting documentation, it appears that UT Austin executives generally are in compliance with policies and procedures regarding travel and entertainment expenses. Recommendations in the area of adequate supporting documentation were made at the executive level regarding compliance with UT Austin policies and procedures.

In accordance with directives from The UT System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Summary of Recommendations
Recommendations in the area of adequate supporting documentation were made at the executive level regarding compliance with UT Austin policies and procedures. Each executive agreed with the recommendations and provided an action plan with implementation dates. Executives included in the review have been individually apprised of their audit results via discussion and in final memorandums, which are included in the Appendix of this report.

The individual recommendations and management responses can be found in the Appendix of this report.

Audit Scope and Objective
The scope of this audit involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin's executive officers during the period of September 1, 2012-August 31, 2013, and September 1, 2013-August 31, 2014. Our objective was to determine whether the expenses reimbursed or directly paid to vendors on behalf of executives were in compliance with relevant UT Austin policies and procedures.

Background Summary
Since fiscal year 2013, UT System has required the Executive Travel and Entertainment audit under regent rule 20205. All of the executive officers are subject to review on an annual basis, but may not be chosen for an audit each year. Executives consisted of those who directly reported to the president, key management members (Executive VPs/Directors, VP/Directors, and Deans), and department chairs.
BACKGROUND

Since fiscal year 2013, The University of Texas System (UT System) has required the Executive Travel and Entertainment audit under regent rule 20205. All of the executive officers are subject to review on an annual basis, but may not be chosen for an audit each year.

The population of executives was determined based on audit guidance provided from UT System to The University of Texas at Austin (UT Austin) Office of Internal Audits. Executives consisted of those who directly reported to the president, key management members (Executive VPs/Directors, VP/Directors, and Deans), and department chairs.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin's executive officers during the period of September 1, 2012-August 31, 2013, and September 1, 2013-August 31, 2014. Our objective was to determine whether the expenses reimbursed or directly paid to vendors on behalf of executives were in compliance with relevant UT Austin policies and procedures.

To achieve the objective, the Office of Internal Audits:

- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

The remainder of this report presents detailed observations and recommendations.

AUDIT RESULTS

A review of each executive's department policies and procedures indicated that they are generally aligned with UT Austin's requirements regarding travel and entertainment expenditures. Expenses related to executive travel and entertainment for fiscal years 2013 and 2014 appeared to be in alignment with UT Austin guidance.

Recommendations in the area of adequate supporting documentation were made at the executive level regarding compliance with UT Austin policies and procedures. The two executives identified agreed with the recommendations and provided an action plan with implementation dates. These individual reports are attached in the Appendix of this report.
CONCLUSION

Ten executives were chosen as a sample to represent the executives at UT Austin. Based on a review of relevant policies, procedures, and supporting documentation, it appears that UT Austin executives generally are in compliance with policies and procedures regarding travel and entertainment expenses. Recommendations in the area of adequate supporting documentation were made at the executive level regarding compliance with UT Austin policies and procedures. Each executive agreed with the recommendations and provided an action plan with implementation dates. Executives included in the review have been individually apprised of their audit results via discussion and in final memorandums, which are included in the Appendix of this report.

In accordance with directives from The UT System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.
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MEMORANDUM

To: Dr. David Brant  
   Director, The University of Texas at Austin (UT Austin) Center for Agile Technology

From: Mr. Michael Vandervort, CPA  
       Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 15, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or have been directly paid on behalf of, the executive officers of UT Austin. All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013, through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits (Internal Audits):
- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2013-2014 entertainment expenses reimbursed to or paid on behalf of Dr. Brant from UT Austin’s Departmental Financial Information Network. A sample of entertainment expenses was randomly selected and tested for the following attributes:
- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
Based on the above procedures, it appears that all travel policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Ms. Mary Jo Moore, Senior Administrative Associate, UT Austin Center for Agile Technology
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Ms. Nobue (Susie) Brown
   Associate Dean for Business Affairs, Red McCombs School of Business

From: Mr. Michael Vandervort, CPA
      Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 1, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013 through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:
• Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
• Reviewed supporting documentation; and
• Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2012-2013 entertainment expenses reimbursed to or paid on behalf of Ms. Brown from UT Austin’s Departmental Financial Information Network. A sample of entertainment expenses was randomly selected and tested for the following attributes:
• Proper Approval,
• Adequate Supporting Documentation,
• Mathematical Accuracy,
• Adequate and Appropriate Business Purpose,
• Proper Recording,
Memorandum for Ms. Brown
March 1, 2016
Page 2 of 2

• Within Allowable Limits,
• Non-Reimbursement of Prohibited Items, and
• Timeliness.

Based on the above procedures, it appears that all entertainment policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Ms. Nan Watkins, Assistant Director for Business Affairs, McCombs School of Business Affairs
    Mr. Jeff Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Dr. Joseph Carter
   Professor, Department of Classics, College of Liberal Arts

From: Mr. Michael Vandervort, CPA
       Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 1, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013 through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:

- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2012-2013 travel expenses reimbursed to or paid on behalf of Dr. Carter from UT Austin’s Departmental Financial Information Network. A sample of travel expenses was randomly selected and tested for the following attributes:

- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
- Proper Recording,
Within Allowable Limits, Non-Reimbursement of Prohibited Items, and Timeliness.

Based on the above procedures, it appears that all travel policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Ms. Esmeralda Moscatelli, Senior Administrative Associate, Institute for Classical Archaeology  
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Dr. Lorraine Haricombe  
Vice Provost and Director, University of Texas (UT) Libraries

From: Mr. Michael Vandervort, CPA  
Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 1, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin's executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013, through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:
- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2013-2014 travel and entertainment expenses reimbursed to or paid on behalf of Dr. Heath from UT Austin’s Departmental Financial Information Network. Samples of travel and entertainment expenses were randomly selected and tested for the following attributes:
- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
Based on the above procedures, it appears that all travel and entertainment policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Mr. Douglas Barnett, Chief of Staff, Vice Provost’s Office
    Mr. Jim Dougherty, Assistant Director and Financial Officer, UT Libraries
    Mr. Jeff Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Dr. Angela Evans
   Dean, Lyndon B Johnson (LBJ) School of Public Affairs

From: Mr. Michael Vandervort, CPA
       Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 1, 2016

The University of Texas System (UT System) Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013, through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits (Internal Audits):
   • Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
   • Reviewed supporting documentation; and
   • Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

The remainder of this memorandum presents a detailed observation and recommendation.

AUDIT RESULTS

We obtained all fiscal year 2012-2013 travel and entertainment expenses reimbursed to or paid on behalf of Dr. Hutchings from UT Austin’s Departmental Financial Information Network. Samples of travel and entertainment expenses were randomly selected and tested for the following attributes:
   • Proper Approval,
Memorandum to Dr. Hutchings  
March 1, 2016  
Page 2 of 4

- Adequate Supporting Documentation,  
- Mathematical Accuracy,  
- Adequate and Appropriate Business Purpose,  
- Proper Recording,  
- Within Allowable Limits,  
- Non-Reimbursement of Prohibited Items, and  
- Timeliness.

In general, evidence of the above attributes was found in the travel and entertainment expenses. An opportunity for improvement pertaining to adequate supporting documentation was noted. The issue has been ranked according to The UT System Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.

Adequate Supporting Documentation  
Audit Issue Ranking: High  
Testing for four (24%) of 17 entertainment transactions was incomplete because adequate supporting documentation was not provided by the department. The department was not aware that these transactions required OOEF documentation. Without adequate supporting documents, disallowed entertainment transactions may be approved and reimbursed with UT Austin funds.

According to Section 9.1.1.M.1.a of UT Austin's Handbook of Business Procedures, An Official Occasion Expense Form (OOEF) should be submitted with corresponding itemized receipts at the time a voucher is submitted for payment. The form must include the date of the activity, location, participants and/or group attending with estimated or actual number of people attending, purpose, benefit, funding source to charge, and required approval(s). Departments may use a form of their own design as long as it includes the same information as the Official Occasion Expense Form.

Departments may enter the required information in the Notes section of the *DEFINE document instead of supplying an OOEF. However, the dean/vice president or official delegate must be included in the electronic routing of the document in order for Notes to be accepted.

**Recommendation:** Management should ensure that adequate supporting documentation is submitted and maintained for entertainment expenses.

**Management Response:** The approval procedure for entertainment expenses has been modified such that all documents must have an attached, signed Official Occasion Expense Form (OOEF) or the Senior Administrative Associate will enter the required information in the Notes section of the DEFINE document instead of supplying an OOEF before being approved by the LBJ School Business Office. Official delegates will be included in the electronic routing of documents when using the Notes section in lieu of an OOEF.

**Implementation Date:** March 3, 2016
Post Audit Review: Internal Audits is in the process of conducting its post audit review.

In accordance with directives from The UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that the audit recommendation has been implemented.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.ohem@austin.utexas.edu.

MV: sg

cc: Dr. Robert Hutchings, Professor, LBJ School of Public Affairs
    Ms. Cindy Brewer, Chief Business Officer, LBJ School of Public Affairs
    Ms. Katherine Jackson, Temp to Perm Assignments, Human Resources
    Mr. Jeff Treichel, Associate Director, Office of Internal Audits
APPENDIX
Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.

- **High** – An issue that is considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.

- **Medium** – An issue that is considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

- **Low** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.
MEMORANDUM

To: Dr. Harrison Keller  
Vice Provost for Higher Education Policy and Research  

From: Mr. Michael Vandervort, CPA  
Chief Audit Executive  

Subject: Memorandum–Executive Travel and Entertainment Expenses: Project #15.003  

Date: March 1, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012 through August 31, 2013; and September 1, 2013, through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:

- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2013-2014 travel and entertainment expenses reimbursed to or paid on behalf of Dr. Keller from UT Austin’s Departmental Financial Information Network. Samples of travel and entertainment expenses were randomly selected and tested for the following attributes:

- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
Memorandum Dr. Keller  
March 1, 2016  
Page 2 of 2  

- Proper Recording,  
- Within Allowable Limits,  
- Non-Reimbursement of Prohibited Items, and  
- Timeliness.  

Based on the above procedures, it appears that all travel and entertainment policies and procedures are being followed. No recommendations are necessary.  

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.  

MV: sg  

cc: Ms. Dena Grumbles, Administrative Services Officer, Office of Strategy and Policy  
Ms. Lori Ray, Executive Assistant, Office of Strategy and Policy  
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Mr. Mike Perrin
Athletics Director, Intercollegiate Athletics

From: Mr. Michael Vandervort, CPA
Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 1, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012 through August 31, 2013; and September 1, 2013, through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:

- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2013-2014 travel and entertainment expenses reimbursed to or paid on behalf of Mr. Patterson from UT Austin’s Departmental Financial Information Network. Samples of travel and entertainment expenses were randomly selected and tested for the following attributes:

- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
Memorandum for Mr. Patterson
March 1, 2016
Page 2 of 2

- Proper Recording,
- Within Allowable Limits,
- Non-Reimbursement of Prohibited Items, and
- Timeliness.

Based on the above procedures, it appears that all travel and entertainment policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Mr. Dave Marmion, Assistant Athletics Director- CI'O, Intercollegiate Athletics
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Mr. Jason Richter  
   Interim Director, Office of Sponsored Projects

From: Mr. Michael Vandervort, CPA  
       Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 1, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013, through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:
- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2013-2014 travel expenses reimbursed to or paid on behalf of Ms. Sedwick from UT Austin’s Departmental Financial Information Network. A sample of travel expenses was randomly selected and tested for the following attributes:
- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
- Proper Recording,
Within Allowable Limits,
Non-Reimbursement of Prohibited Items, and
Timeliness.

Based on the above procedures, it appears that all travel policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Mr. Jeff Treichel, Associate Director, Office of Internal Audits
The University of Texas System (UT System) Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013 through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits (Internal Audits):

- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

The remainder of this memorandum presents a detailed observation and recommendation.

**AUDIT RESULTS**

We obtained all fiscal year 2012-2013 travel and entertainment expenses reimbursed to or paid on behalf of Dr. Tinker from UT Austin’s Departmental Financial Information Network. Samples of travel and entertainment expenses were randomly selected and tested for the following attributes:
Memorandum to Dr. Tinker  
March 14, 2016  
Page 2 of 4  

- Proper Approval,  
- Adequate Supporting Documentation,  
- Mathematical Accuracy,  
- Adequate and Appropriate Business Purpose,  
- Proper Recording,  
- Within Allowable Limits,  
- Non-Reimbursement of Prohibited Items, and  
- Timeliness.

In general, evidence of the above attributes was found in the travel and entertainment expenses. An opportunity for improvement pertaining to adequate supporting documentation was noted. The issue has been ranked according to The UT System Audit Issue Ranking guidelines. Please see the Appendix for ranking definitions.

Adequate Supporting Documentation  
Audit Issue Ranking: High  

Testing for two (12%) of 17 entertainment transactions was incomplete because adequate supporting documentation was not provided by the department. Internal Audits requested documentation via email, but did not receive documentation for two of the transactions. Without adequate supporting documents, disallowed mileage transactions may be approved and reimbursed with UT Austin funds.

Section 9.1.1.M.1.a of UT Austin’s *Handbook of Business Procedures* states,

An Official Occasion Expense Form (OOEF) should be submitted with corresponding itemized receipts at the time a voucher is submitted for payment. The form must include the date of the activity, location, participants and/or group attending with estimated or actual number of people attending, purpose, benefit, funding source to charge, and required approval(s). Departments may use a form of their own design as long as it includes the same information as the Official Occasion Expense Form.

Departments may enter the required information in the Notes section of the *DEFINE* document instead of supplying an OOEF. However, the dean/vice president or official delegate must be included in the electronic routing of the document in order for Notes to be accepted.

These transactions were tested in the sample for entertainment expenses. For UT Austin fleet mileage, adequate supporting documentation is defined in the UT Austin Vehicle Fleet Management Plan as,

5. Vehicle Use Reports

a. State law requires each driver of a state-owned vehicle to complete a daily report of use on the Monthly Vehicle Use Report form.

b. The report must show the number of trips, purpose for which the vehicle was used, miles traveled, amount and type of fuel purchased, oil added, passengers carried, and other information as may be required to provide a record of vehicle use and maintenance performed. Receipts for any vehicle purchases made, by the driver, from private sector vendors must be itemized and attached to the Monthly
Vehicle Use Report form. The vehicle custodian is responsible for reporting these transactions, in the manner prescribed by the University, to the Fleet Manager.

c. If the vehicle is used by more than one operator during the day, each operator must enter his or her name into the report. If more than one page is required per month, a continuation page may be used.

d. After the close of the reporting period, the vehicle custodian will review the report for accuracy and sign in the designated space. Then, the completed report will be sent to the University’s Vehicle Fleet Manager. This report must be submitted no later than the fifth day of the following month.

**Recommendation:** Management should ensure that adequate supporting documentation of expenses is submitted and maintained for audit purposes.

**Management Response:** Bureau management considers a strong system of internal accounting controls a high priority and has implemented procedures to ensure that adequate supporting documentation of expenses is submitted and maintained for audit purposes.

In September of 2013, subsequent to the period being audited, we initiated a process of electronically scanning and storing all backup documentation on a Bureau server. The scanning is done by a number of people in the Accounting unit, and are stored and maintained on a secure Bureau server. Mileage reports are maintained by Devin Krieg.

We regularly spot check documentation to ensure that files are available and readable. In addition, all mileage files are typically accessed multiple times in order to provide regular, monthly documentation of expenses for 20-30 projects. Under the current system, it would be extremely unlikely for a missing mileage log scan to go undetected before paper records have been discarded.

**Implementation Date:** September 2013

**Post Audit Review:** Internal Audits is in the process of conducting its post audit review.

In accordance with directives from The UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that the audit recommendation has been implemented.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc: Ms. Julie Duiker, Administrative Services Officer III, Bureau of Economic Geology, Jackson School of Geosciences  
Mr. Jeff Treichel, Associate Director, Office of Internal Audits
APPENDIX
Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.

- **High** – An issue that is considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.

- **Medium** – An issue that is considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

- **Low** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.
MEMORANDUM

To: Dr. Philip (Uri) Treisman  
Professor of Mathematics, College of Natural Sciences

From: Mr. Michael Vandervort, CPA  
Chief Audit Executive

Subject: Memorandum—Executive Travel and Entertainment Expenses: Project #15.003

Date: March 14, 2016

The University of Texas System Audit Office requires that we perform an audit of travel and entertainment expenses that have been reimbursed to, or that have been directly paid on behalf of, the executive officers of The University of Texas at Austin (UT Austin). All of the executive officers will be subject to review annually, but may not be chosen to be audited every year.

We have completed our audit of travel and entertainment expenses. Our scope involved travel and entertainment expenses reimbursed to, or paid on behalf of, UT Austin’s executive officers during the period of September 1, 2012, through August 31, 2013; and September 1, 2013 through August 31, 2014. Our objective was to determine whether the expenses reimbursed to and directly paid to vendors on behalf of executives are in compliance with relevant UT Austin policies and procedures.

To achieve the objective, The Office of Internal Audits:
- Reviewed and evaluated relevant policies and procedures for processing and approving travel and entertainment expenses;
- Reviewed supporting documentation; and
- Conducted testing on a sample of travel and entertainment expenses.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.

AUDIT RESULTS

We obtained all fiscal year 2012-2013 travel and entertainment expenses reimbursed to or paid on behalf of Dr. Treisman from UT Austin’s Departmental Financial Information Network. Samples were randomly selected and tested for the following attributes:
- Proper Approval,
- Adequate Supporting Documentation,
- Mathematical Accuracy,
- Adequate and Appropriate Business Purpose,
- Proper Recording,
• Within Allowable Limits,
• Non-Reimbursement of Prohibited Items, and
• Timeliness.

Based on the above procedures, it appears that all travel and entertainment policies and procedures are being followed. No recommendations are necessary.

We appreciate the assistance and cooperation of you and your staff in this audit. If you have any questions, please contact me or Ashley Oheim at 512-471-9836 or ashley.oheim@austin.utexas.edu.

MV: sg

cc:
  Mr. Richard Blount, Director III, Charles A Dana Center for Science and Mathematics Education
  Mr. Jeff Treichel, Associate Director, Office of Internal Audits