Executive Travel and Entertainment Expenses

Audit Report #15-07
May 29, 2015

Office of Auditing and Consulting Services

"Committed to Service, Independence and Quality"
May 29, 2015

Dr. Diana Natalicio
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed the audit of the Executive Travel and Entertainment Expenses for Fiscal Years 2013 and Fiscal Year 2014. Results of the audit and recommendations are included in the attached report.

We appreciate the cooperation and assistance provided by Accounting and Business Services throughout our audit.

Sincerely,

Lori N. Wertz
Interim Director
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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed the audit of Executive Travel and Entertainment Expenses. The audit scope was limited to travel and entertainment expenses reimbursed to, or paid on behalf of, selected executive officers and key management personnel of The University of Texas at El Paso (UTEP) during the period September 1, 2012 through August 31, 2014. The objective of the audit was to determine whether the travel and entertainment expenses incurred by the selected individuals were in compliance with applicable laws, regulations, policies and procedures.

The audit revealed that the majority of vouchers tested:

- did not have the appropriate approvals,
- lacked a detailed business purpose, and
- failed to include sufficient support documentation.

A contributing factor to these issues is the lack of consistency in the policies and procedures from the UTEP Travel Office website, Vice President for Business Affairs Business Process Guidelines and the Handbook of Operating Procedures.
BACKGROUND

The University of Texas System (UT System) Board of Regents’ Rule 20205 Expenditures for Travel, Entertainment, and Housing by Chief Administrators was approved on May 11, 2006. The purpose of this Rule is to “prescribe, clarify, and provide uniformity in the approval, review, and audit process for travel, entertainment, and housing expenses incurred by the Chancellor and presidents.” At the request of former Chancellor Cigarroa, the audit requirements were expanded to include travel and entertainment expenses incurred by UT System institutions’ executive officers and key management personnel.

AUDIT OBJECTIVES

The objectives of this audit were to determine whether:

- expenses incurred by UTEP executive officers were in compliance with applicable laws, regulations, policies and procedures of the State of Texas, the UT System and UTEP.
- expenses had an adequate and appropriate business purpose, and were necessary to conduct business for benefit of the University.
- expense reimbursement vouchers were processed in a timely fashion, properly approved and supported by the appropriate documentation.

SCOPE AND METHODOLOGY

The scope of the audit included a sample of travel and entertainment vouchers for selected UTEP executive officers during the period September 1, 2012 through August 31, 2014. Six of thirty University executives were selected for testing. Vouchers were selected from two financial systems: DEFINE and PeopleSoft, which was implemented on May 5, 2014. Computer Assisted Audit Tools and Techniques were used to choose the vouchers for review.

Audit testwork included interviews with key personnel and verification of travel and entertainment reimbursements through inspection of supporting documentation. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
AUDIT RESULTS

A. Compliance with Travel and Entertainment Guidelines

UTEP Travel Regulations have not been revised to reflect changes in policies and procedures. The travel regulations in the Handbook of Operating Procedures (HOOP) have not been updated since August 2013. In addition, the policies and procedures from the UTEP Travel Office website and the Vice President for Business Affairs (VPBA) Business Process Guidelines are not consistent with the guidelines outlined in the HOOP.

According to the Board of Regents' Rule 20801: "Institutions of the U. T. System shall issue travel regulations covering authorization for travel and reimbursement for approved travel to implement applicable provisions of State law and regulations for the guidance of all personnel concerned. Following administrative approval by the appropriate Executive Vice Chancellor, travel regulations will be included in the institutional Handbook of Operating Procedures."

In the absence of clear guidance from UTEP’s policies and procedures, state travel regulations were used as criteria for testing.

A judgmental sample of 68 (44 from DEFINE and 24 from PeopleSoft) travel and entertainment vouchers were tested with the following results:\(^1\):

- 58 of 68 (85%) vouchers were not properly approved,
- 36 of 68 (53%) vouchers did not have an adequate business purpose,
- 23 of 68 (34%) vouchers did not have sufficient support documentation, and
- 11 of 11 (100%) of trips to Washington DC and foreign destinations lacked approval from the President’s Office.

Recommendation: The HOOP should be updated to provide clear and timely guidance on travel and entertainment policies. The guidance provided on the UTEP Travel Office website and the VPBA Business Process Guidelines should follow the policies outlined in the HOOP. Consequences for lack of compliance with policies should be clearly outlined and enforced.

\(^1\) Vouchers were tested only for attributes applicable to that voucher and some vouchers tested showed multiple instances of non-compliance.
CONCLUSION

Additional attention is required to strengthen the process for the authorization and approval of travel and entertainment expenditures and to ensure compliance with the state, UT System and UTEP regulations and policies.

The functionality for the approval process in PeopleSoft is not in use due to current programming limitations; rather, there are interim procedures in place to collect approvals for both human resources and finance transactions. These interim procedures allow account owners to approve their own transactions, resulting in lack of appropriate segregation of duties. Enabling the workflow functionality will provide the opportunity for UTEP to correct this weakness; however, it requires system modifications which are not yet in place.

We appreciate the cooperation and assistance provided by Accounting and Business Services throughout our audit.