BACKGROUND INFORMATION

Travel and entertainment expenses at the University of Texas Health Science Center at San Antonio are governed by state law and policies at the UT System and institutional levels. Annual audits of travel and entertainment expenses incurred on behalf of institutional presidents are required by UT System policy. In an effort towards more progressive and transparent accountability, the UT System Chancellor expanded this annual audit requirement to include the executive teams at each institution.

Guidance provided by the UT System audit office indicated the population of executives was not limited to direct reports to the president. The population included key management members (Executive Vice Presidents, Executive Directors, Vice Presidents, Directors, Deans, and Department Chairs). Internal Audit identified 159 individuals that met these criteria.

Executive travel represented 8.7% of institution-wide travel expenses in FY 2013. ($463,047 of $5,336,082). Executive entertainment represented 3.4% of institution-wide entertainment expenses. ($163,351 of $4,826,666).

OBJECTIVE AND SCOPE

The objective of the audit was to determine if executive travel and entertainment expenses were properly approved, had adequate supporting documentation and complied with state regulations and institutional policies. The scope of the audit included travel and entertainment expenses reimbursed to or paid on behalf of executives during FY 2013.

We conducted our audit in accordance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.
SUMMARY OF RESULTS

Internal Audit reviewed 80 reimbursement vouchers for travel representing 22.6% of executive travel expenses ($104,851 of $463,047) and 107 reimbursement vouchers for entertainment representing 20.2% of executive entertainment expenses ($33,007 of $163,351). Based on test results, the following opportunities for improvement were identified.

Timeliness. Handbook of Operating Procedures (HOP) 6.2.14 states that a travel voucher must be submitted to the accounting office for reimbursement of travel expenses within 30 days of the last day of travel. Seventeen (17) travel vouchers were not submitted within the 30 day timeframe. HOP policies do not address a timeline for submitting entertainment vouchers. Eight (8) entertainment expense vouchers were not submitted within a 30 day period following the entertainment event.

Proper Approval. Institutional policy requires hierarchical approval of all travel and entertainment reimbursements. Twenty five (25) travel and thirty five (35) entertainment reimbursement vouchers did not have hierarchical approval. To further clarify the policy, in October, 2013 (FY 2014), HOP 6.2.14 – General Reimbursement Policies was revised to state: Reimbursement of travel or entertainment expenses must be approved by the supervisor or department head (or by his or her designee) of the individual being reimbursed. A subordinate of the traveler or employee being reimbursed is not a sufficient approver.

These items, along with recommendations and management action plans, are detailed in the attached table of Issues and Recommendations. We would like to thank management for the support and assistance provided during this audit.

SUMMARY OF SIGNIFICANT FINDINGS

This audit identified no findings considered significant to the institution. According to the UT System Policy 129 – Internal Audit Activities, an audit finding identified as significant is one that is material to the operation, financial reporting, or legal compliance of the institution. The UT System Audit Office receives and tracks significant audit findings on a quarterly basis. It also provides a summary report to the UT System Internal Audit Committee and the Audit, Compliance, and Management Review Committee of the UT System Board of Regents.

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Mr. J. Michael Peppers, Chief Audit Executive, UT System

An * preceding your name indicates you are required to respond to recommendations contained in this report; an adequate response describing the action taken or planned is required to be sent to the Director, Internal Audit.

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APPROVED FOR RELEASE

CHIEF AUDIT EXECUTIVE, AD INTERIM

[Signature] 3/27/14

AUDITORS
Robert McDermott
Roland Miller
Dora Ann Verde
Esther Villarreal
## Issues and Recommendations

<table>
<thead>
<tr>
<th>Observation/Condition</th>
<th>Business Implication</th>
<th>Recommendation</th>
<th>Management Action Plan</th>
<th>Due Date</th>
<th>Responsible Party</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Timeliness</strong></td>
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<tr>
<td>1 Travel and entertainment reimbursement vouchers were not submitted in a timely manner.</td>
<td>Department may not be able to determine on a timely basis the correct amount of expenses for a fund or project id.</td>
<td>The Office of Business Affairs should reiterate in institutional communications the HOP requirement that travel vouchers should be submitted to the Accounting Office within 30 days of the last day of travel. The Office of Business Affairs should establish a time frame for Local/State vouchers to be submitted for payment of entertainment expenses and communicate that requirement.</td>
<td>To remind employees of timeframes for submitting employee paid business expenses for reimbursement, Business Affairs will 1) draft a slide addressing this issue for inclusion in GCAT Module I training and submit to the Compliance Office for approval and update 2) update HOP sections dealing with reimbursement of travel and entertainment costs to clarify the timeframes for Local/State voucher submission</td>
<td>07/31/14</td>
<td>AVP Business Affairs</td>
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</tbody>
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| **Proper Approval**   |                      |                |                        |          |                  |
| 2 Travel and entertainment reimbursement vouchers did not have hierarchical approval for reimbursement. | Lack of oversight could cause inefficient use of institutional funds. Business units may not be aware that the HOP policy was revised in FY | The Office of Business Affairs should reiterate in institutional communications the HOP requirement for hierarchical approval of travel and entertainment reimbursements. | To remind employees of the need for hierarchical approval of travel and entertainment reimbursements, Business Affairs will reiterate the requirement in the GCAT slide mentioned above in issue 1 | 07/31/14 | AVP Business Affairs |
| 2014 to clarify the required hierarchical approval. |   |   |   |