MEMORANDUM

TO: David L. Callender, MD
    President, UTMB Health

FROM: Kimberly K. Hagara, CPA, CIA, CISA, CRMA
      Associate Vice President, Audit Services

DATE: November 6, 2013

SUBJECT: Institutional Leadership Travel and Entertainment Expenses
         Audit Control Number 2014-003

Attached is the final audit report regarding the Institutional Leadership Travel &
Entertainment Expenses audit. This audit will be presented at the next Institutional
Audit Committee meeting.

Thank you for your cooperation and assistance during the course of this review. If you
have any questions or comments regarding the audit, please feel free to contact me at
(409) 747-3277.

Attachment
The University of Texas Medical Branch
Audit Services

Audit Report
Institutional Leadership Travel and Entertainment Expenses
Audit Control Number 2014-003
November 2013
Institutional Leadership Travel and Entertainment Expenses
Audit Control Number: 2014-003

Background
Numerous State rules and University of Texas Medical Branch (UTMB Health) policies including the Institutional Handbook of Operating Procedures (IHOP) Policy 4.3.1--Travel Policy, IHOP 4.4.2--Official Function Expenditures, Travel Guide, and Accounts Payable Guide provide guidance for reimbursement of travel and entertainment expenses incurred by institutional employees. Additionally, the University of Texas System (UT System) Board of Regents’ Rule and Regulation 20205 (Regents’ Rule 20205), Expenditures for Travel, Entertainment, and Housing for Chief Administrators provides additional guidance related to the approval, review, and audit process for travel, entertainment, and housing expenses incurred by institutional presidents and their spouses.

As required by Regents’ Rule 20205, annual audits of presidential and spousal travel, entertainment, and housing expenses began in 2006, and in subsequent years at institutional request, the audit was expanded to include institutional leadership. August 2013 revisions to Regents’ Rule 20205 shifted the responsibility for performing the annual audits of the presidents and their spouses’ expenses from the institution’s internal audit department to the UT System Audit Office beginning with fiscal year 2013.

Since Audit Services conducts quarterly audits of travel and entertainment expenses for institutional leadership and the Regents’ Rule change occurred after completion of three quarters of testing, the results of this audit include those expenses incurred by the President and his spouse. However, as a result of the changes in Regents’ Rule, the President and his spouse’s travel, housing, and entertainment expenses either reimbursed or paid on their behalf are subject to additional audit by the UT System Audit Office.

Audit Objective, Scope, and Methodology
The primary objective of this audit was to ensure compliance with institutional policies regarding travel and entertainment expenditures by institutional leadership as well as compliance with Regents’ Rule 20205. The audit scope included all reimbursements and payments for travel, entertainment, and other expenditures made for or on behalf of the President and his spouse, the President’s direct reports, UTMB Health leadership, center and institute directors, and department chairs for the fiscal year 2013.

Audit methodology included:

- Comparing quarterly reports, submitted to the UT System Executive Vice Chancellor for Business Affairs, to PeopleSoft transactions for timeliness and completeness; and,
- Reviewing 100% of travel and entertainment expenditures for the President, Presidential direct reports, UTMB Health leadership, center and institute directors, and department chairs greater than $100 for appropriate business purpose, adequate supporting documentation, appropriate authorization, and mathematical accuracy for the period previously identified.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors.
Institutional Leadership Travel and Entertainment Expenses
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Audit Results
Quarterly Reports
Audit Services comparisons of the quarterly reports submitted to the UT System Executive Vice Chancellor for Business Affairs to the transactions recorded in PeopleSoft indicated the quarterly reports were complete and submitted timely.

Travel, Entertainment, and Housing
Audit Services review of travel and entertainment transactions indicated that, generally, transactions were for an appropriate business purpose, allowable, authorized, timely, mathematically correct, and adequately supported. No exceptions were noted related to any Presidential or President’s spouse travel or entertainment transactions. Additionally, there were no expenditures related to Presidential housing in fiscal year 2013.

Audit Services identified minor supporting documentation and approval discrepancies in some of the President’s direct reports, UTMB Health leadership, center and institute directors, or department chairs expense reimbursement submissions. Audit Services provided additional training to the applicable individual and/or the entity financial representative to avoid potential future reoccurrence of similar issues.

Conclusion
Overall, UTMB Health generally follows its policies and procedures for travel and entertainment expenditures and reimbursements to the President, his spouse, the President’s direct reports, UTMB Health leadership, center and institute directors, and department chairs.

We greatly appreciate the assistance provided by the staff of both the Office of the President and Accounts Payable during this audit, and hope that the information in this report is beneficial.

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