April 10, 2015

Ronald DePinho, M.D., President
Office of the President
The University of Texas M. D. Anderson Cancer Center
1515 Holcombe Boulevard
Houston, Texas 77030

Dear President DePinho:

We have completed our audit of travel, entertainment, and university residence maintenance expenses paid on behalf of, or reimbursed to, you and your spouse during Fiscal Year (FY) 2013 and the first quarter of FY 2014. Our audit objective was to determine whether these expenses are appropriate, accurate, and in compliance with applicable institutional policies and The University of Texas System Board of Regents’ Rules and Regulations. The detailed report is attached for your review.

We conducted our engagement in accordance with The Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

We will follow up on the recommendation made in this report to determine its implementation status. This process will help enhance accountability and ensure that audit recommendations are implemented in a timely manner.

We appreciate the assistance provided by the president’s and internal audit offices in conducting this engagement.

Sincerely,

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

cc: Leon J. Leach, Ph.D., Executive Vice President & Chief Business Officer, UTMDACC
Sherri Magnus, Vice President & Chief Audit Officer, UTMDACC
Raymond S. Greenberg, M.D., Ph.D., Executive Vice Chancellor for Health Affairs, UT System
Presidential Travel, Entertainment, and University Residence Maintenance Expenses Audit Report
The University of Texas M. D. Anderson Cancer Center
FY 2014

April 2015

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
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AUSTIN, TX 78701
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The University of Texas System Audit Office
Presidential Travel, Entertainment, and University Residence Maintenance Expenses Audit – UT M. D. Anderson Cancer Center
Fiscal Year 2014

AUDIT REPORT
April 2015

BACKGROUND
As required by The University of Texas (UT) System Board of Regents’ Rules and Regulations, Rule 20205, titled “Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences” (Rule 20205), the UT System Audit Office has completed the audit of presidential travel, entertainment, and university residence maintenance expenses. These audits have historically been performed by the respective institutional internal audit departments. At the August 2013 meeting, the UT System Board of Regents (Board) amended Rule 20205 so that these audits are now conducted by the UT System Audit Office. Guidance for these expenses is provided by various state laws, rules and regulations promulgated under those laws, and UT System and institutional travel and entertainment policies and procedures including, but not limited to, Rule 20205.

While each of the presidents is subject to the annual audit, substantive testing of their expenses is determined on a year-to-year basis. This assessment is made based on an analysis of risk and an element of rotation to ensure complete coverage over a period of time.

AUDIT OBJECTIVE
The overall objective of this audit was to determine whether travel, entertainment, and university residence maintenance expenses paid on behalf of or reimbursed to the presidents and their spouses are appropriate, accurate, and in compliance with applicable institutional policies and Regents’ Rules and Regulations.

SCOPE AND METHODOLOGY
The scope of this audit included travel, entertainment, and university residence maintenance activity of the presidents and their spouses for the period from September 1, 2012 to November 30, 2013. The audit methodology consisted of reviewing applicable institutional policies and procedures, assessing internal controls, and analyzing the institutions’ quarterly reports submitted to UT System. Based on the determined risk as a result of these audit procedures at UT M. D. Anderson Cancer Center (MD Anderson), additional substantive testing was performed on a sample of travel and entertainment expenses incurred by the president and his spouse to determine whether applicable policies and procedures were followed and whether expenses were appropriate, adequately supported, and accurately processed. The audit scope for the president’s spouse, who also has a faculty role, only included the travel and entertainment expenses as related to the President’s Office.

We conducted the audit in accordance with the guidelines set forth in The Institute of Internal Auditors’ (IIA) International Standards for the Professional Practice of Internal Auditing (Standards).

AUDIT RESULTS
Based upon our audit, we found that the travel and entertainment expenses reimbursed to, and paid on behalf of, the president and his spouse appeared appropriate and accurate and that adequate internal controls are in place with exception of documented approval of expenses by the chief business officer (CBO), as required by Rule 20205.

While the CBO provides approval to a delegate in his department to electronically authorize the president’s travel and entertainment expenses in the online reimbursement system, documentation of this approval could not be provided. In addition, the CBO does not review or approve expenses of the president’s spouse when her travel is related to the President’s Office.
Recommendation:
Business Affairs, working with the President’s Office, should facilitate a process to retain documentation of the CBO’s review and approval for the president’s travel and entertainment expenses, both direct billed and reimbursed. Additionally, Business Affairs should implement steps to ensure that the president’s spouse’s travel and entertainment expenses (for activity related to the President’s Office) are reviewed by the CBO with documented approval.

Management’s Response:
In coordination with the President’s Office, MD Anderson’s Office of Business Affairs will augment its process for review and approval of presidential travel and entertainment expenses, as well as spousal expenses for travel and entertainment directly related to President’s Office and institutional support activities, to ensure retention of documentation indicating Chief Business Officer participation in the review and approval process.

Implementation Date:
June 2015

We noted other issues related to supporting documentation, slight inconsistencies in travel guidance documents, and minor discrepancies and errors in quarterly reports, which were communicated to management.

FOLLOW-UP AUDIT RESULTS
IIA Standards require that follow-up procedures are conducted to ensure management has effectively implemented previous audit recommendations or has accepted the risk of not taking action. There were two open recommendations from a past audit report. We determined that management has implemented the recommendation pertaining to completeness of expenses in the quarterly reports, and we have closed the other recommendation regarding proper approval due to its similarity to the current audit recommendation related to CBO approval.

CONCLUSION
Overall, the travel and entertainment expenses reimbursed to, and paid on behalf of, the president and his spouse appeared appropriate and accurate and adequate internal controls are in place, except for documented CBO approval.

J. Michael Peppers, CPA, CIA, QIAL, CRMA
Chief Audit Executive

Moshmee Kalamkar, CPA, CIA
Audit Manager