



**THE UNIVERSITY OF TEXAS-PAN AMERICAN
OFFICE OF AUDITS & CONSULTING SERVICES**

**President's Travel, Entertainment, and Housing Expenses Audit
FY2012**

Report No. 13-05



OFFICE OF AUDITS AND CONSULTING SERVICES

THE UNIVERSITY OF TEXAS - PAN AMERICAN

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November 30, 2012

Dr. Robert S. Nelsen, President
The University of Texas-Pan American
1201 W. University Drive
Edinburg, TX 78539

Dear Dr. Nelsen,

As part of our fiscal year 2013 Audit Plan, we completed an externally required audit of the President's Travel, Entertainment, and Housing Expenses Audit. The objectives of the audit were to verify the validity and integrity of the president's and his spouse's travel, entertainment and housing maintenance expenses, evaluate the accuracy and completeness of the quarterly reports, evaluate the adequacy of internal controls and to ensure compliance with applicable policies, procedures, and regulations of The University of Texas – Pan American (UTPA), The University of Texas System (UT System) and the State of Texas.

We selected a sample of travel and entertainment expenses reimbursed to the president and his spouse, or paid on behalf of the president and his spouse. The scope of the audit was FY 2012, which included transactions from September 1, 2011 through August 31, 2012. In performing this engagement, we tested expenses to determine proper approval, adequate supporting documentation, appropriate business purpose for the benefit of UTPA, proper recording of transactions, within allowable limits, verified that prohibited items were not purchased, and timeliness of payment or reimbursement to evaluate compliance with *The University of Texas System Board of Regents' Rule 20205, Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences*.

Based on the results of the audit work performed, we concluded that adequate internal controls were in place and the president's and his spouse's travel and entertainment expenses complied with applicable policies, procedures and regulations of UTPA, UT System and the State of Texas.

We appreciate the courtesy and cooperation received from management and staff during our audit.

Sincerely,

Eloy R. Alaniz, Jr., CPA, CIA, CISA
Executive Director of Audits, Compliance & Consulting Services



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EXECUTIVE SUMMARY

On May 11, 2006, The University of Texas System Board of Regents adopted *Rule 20205, Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences (Rule)*. In accordance with Section 8 of this *Rule*, an audit is required within ninety (90) days after the end of the fiscal year for travel, entertainment and expenses for the maintenance of University residences for which the president or spouse has been reimbursed or that have been directly paid to a vendor on the president’s or spouse’s behalf. The *Rule* also requires a quarterly report on travel and entertainment expenses and maintenance of University residences be submitted to the executive vice chancellor. The reports are due no later than the 30th day of January, April, July, and October.

The objectives of the audit were to verify the validity and integrity of the president’s and spouse’s travel, entertainment and housing maintenance expenses, evaluate the accuracy and completeness of the quarterly reports, evaluate the adequacy of internal controls and to ensure compliance with applicable policies, procedures, and regulations of The University of Texas – Pan American (UTPA), The University of Texas System (UT System) and the State of Texas.

We selected a sample of travel and entertainment expenses reimbursed to the president and his spouse, or paid on behalf of the president and his spouse, for the period of September 1, 2011 through August 31, 2012. We tested these expenses to determine the following:

- Proper approval,
- Adequate supporting documentation,
- Appropriate business purpose for the benefit of UTPA,
- Proper recording of transactions,
- Within allowable limits,
- Verified that prohibited items were not purchased, and
- Timeliness of payment or reimbursement.

We also reviewed the quarterly reports submitted for completeness and accuracy prior to each reports submission to the executive vice chancellor. We concluded that the travel, and entertainment reimbursed to the president and his spouse, or directly paid on the president’s and his spouses’ behalf complied with UTPA, UT System and the State of Texas policies, procedures and regulations. In addition, the quarterly reports were reasonably complete and accurate. UTPA does not maintain a University residence and additional housing allowances were not part of the president’s employment contract.



BACKGROUND

The University of Texas System Board of Regents’ Rule 20205, Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences was established to “prescribe, clarify, and provide uniformity in the approval, review and audit process for travel and entertainment expenses incurred by the Chancellor and presidents and for expenses for the maintenance of University residences”. The *Rule* requires the results of the annual audit to be submitted to the UT System Audit Office with copies to the appropriate executive vice chancellor. In addition, all audits shall be submitted to the Audit, Compliance and Management Review Committee for review during a quarterly meeting of the Committee. The *Rule* also requires a quarterly report on travel and entertainment expenses and maintenance of University residences be submitted to the executive vice chancellor. The reports are due no later than the 30th day of January, April, July, and October.

AUDIT OBJECTIVE

The objectives of the audit were to verify the validity and integrity of the president’s and spouse’s travel, entertainment and housing maintenance expenses, evaluate the accuracy and completeness of the quarterly reports, evaluate the adequacy of internal controls and to ensure compliance with applicable policies, procedures, and regulations of UTPA, UT System, and the State of Texas.

AUDIT SCOPE & METHODOLOGY

To achieve our objective, we selected a sample of travel and entertainment expenses reimbursed to the president and his spouse, or paid on behalf of the president and his spouse for the period of September 1, 2011 through August 31, 2012. We tested expenses to determine whether the following attributes were met:

- Proper approval,
- Adequate supporting documentation,
- Appropriate business purpose for the benefit of UTPA,
- Proper recording of transactions,
- Within allowable limits,
- Verified that prohibited items were not purchased, and
- Timeliness of payment or reimbursement.

We obtained guidance from The University of Texas System’s Board of Regents’ Rules and Regulations, Series: 20205, *Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences* as well as UTPA’s Handbook of Operating Procedures Sections 8.3.2 - *Travel Policy*; 8.6.7- *Business/Entertainment Expense Reimbursement*.



**The University of Texas – Pan American
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Externally Required Audit**

The audit was conducted in accordance with the guidelines set forth in The University of Texas System’s Policy 129 and the *Institute of Internal Auditor’s Standards for the Professional Practice of Internal Auditing*. The audit was conducted in November of 2012.

AUDIT RESULTS

Based on testing, all travel and entertainment expenses paid from the accounts, or payments made on the president’s or spouse’s behalf, were in accordance with University policy and Regents’ Rules and Regulations and were valid and verifiable. In addition, the quarterly reports were reasonably complete and accurate. UTPA does not maintain a University residence and additional housing allowances were not part of the president’s employment contract.

The Office of the President established adequate internal controls over expenses made for or paid on behalf of the president related to travel and entertainment. These controls were functioning as intended and included the following attributes; proper approval was obtained by the chief business officer; adequate supporting documentation was available to support the expenses, adequate business purpose, the transactions were properly recorded, the expenses were within allowable limits, verified that prohibited items were not purchased, and payments or reimbursement were processed timely.

CONCLUSION

Based on the results of the audit work performed, we concluded that adequate internal controls were in place and the president’s and spouse’s travel and entertainment expenses complied with applicable policies, procedures and regulations of The University of Texas – Pan American, The University of Texas System and the State of Texas.

Isabel Benavides CIA, CGAP, CFE
Director, Audits and Consulting Services