EXECUTIVE TRAVEL & ENTERTAINMENT EXPENSES AUDIT

MARCH 7, 2017

OFFICE OF INTERNAL AUDIT (the “Office”)
BOX 19112
ARLINGTON, TX 76019-0112
817-272-0150
www.uta.edu/internalaudit
MEMORANDUM

TO: Dr. Vistasp Karbhari  
President

FROM: David A. Medrano  
Chief Audit Executive - Institutional

DATE: April 12, 2017

SUBJECT: FY 2016 Audit Plan Engagement: 
Executive Travel & Entertainment Expenses ("T&E") Audit Dated 
March 7, 2017

EXECUTIVE SUMMARY

UT System Administration requested an annual audit of travel and entertainment expenses of 
University executives in an effort to improve transparency and accountability. The audited 
population included Vice Presidents through Deans, and the objective was to determine 
whether executive travel and entertainment expenses were appropriate, accurate and complied 
with UT System and UT Arlington policies and procedures and, applicable federal and state 
laws and regulations.

Expense reports for FY 2015 had minor violations that were communicated to the respective 
departments along with a request for a corrective action plan; however, a minor subset of these 
FY 2015 expense report violations were from individuals who were also identified as having 
had expense report violations in the FY 2014 T&E audit. Such violations may indicate persons 
do not understand the travel and entertainment policies and therefore, we recommend training 
be conducted campus-wide by Travel Support Services.

This finding is considered significant to the department or process, and not a "priority finding" 
to the University. A priority finding is defined as "an issue identified by an internal audit that, 
if not addressed timely, could directly impact achievement of a strategic or important 
operational objective of a UT institution or the UT System as a whole. Standard factors for 
determining a Priority Finding have been established in three categories: namely, 
Organizational Controls, Quantitative Risks, and Qualitative Risks."

We appreciate the courtesy and cooperation we received from Accounting Services – primarily 
Procurement Services, Travel Support Services and the Accounts Payable Department – and 
the various executives contacted during this audit engagement.
cc: Jean Hood, Vice President-Human Resources, UT Arlington
    Jennifer Chapman, Executive Director, University Compliance Services, UT Arlington
    Stephanie Scott, Associate Vice President and Controller, UT Arlington
    Julia Cornwell, Senior Director, Accounting Services, UT Arlington
    Randall Piatkowski, Manager of Disbursements, UT Arlington

Institutional Audit Committee Voting Members:
Chairman: Randal Rose, Managing Director, JPMorgan Chase
Brian Gutierrez, Vice Chancellor for Finance and Administration, Texas Christian University
Stephen Frimpong, Vice President-Internal Audit, Kimberly-Clark Corporation
Ronald Elsenbaumer, Interim Vice Provost and Vice President for Academic Affairs, UT Arlington
Kelly Davis, Chief Financial Officer and Vice President, UT Arlington
John Hall, Vice President for Administration and Campus Operations, UT Arlington
Chandra Subramaniam, Interim Dean-College of Business Administration, UT Arlington
BACKGROUND INFORMATION

Regents’ Rules and Regulations 20205, Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences, requires an annual audit of Chancellor’s and Presidents’ travel and entertainment expenses. At the Chancellor’s request, the audit scope has been expanded to include travel and entertainment expenses of Institutional executives.

OBJECTIVES

Determine whether executive travel and entertainment expenses are appropriate, accurate and comply with, both UT System and UT Arlington policies and procedures and, federal and state laws and regulations.

CRITERIA

UTA Procedures:
- 2-75, Allowable Expenditures Does not Apply to State Accounts,
- 2-80-1, Travel Authorization and Obtain Permission to Travel,
- 2-81-1, Travel Services,
- 2-83, International Travel,
- 2-86-1, Meals, Lodging, Incidental Expenses and Other Fees for Travel for State and Local Funds,
- 2-87-1, Travel for Persons Other Than Faculty and Staff Does Not Apply to State Accounts,
- 2-89-1, Transportation Does Not Apply to State Accounts,
- 2-90-1, Completing Require Documentation for Travel Reimbursements,
- 4-26, Reimbursements and Payments Other Than for Travel and Purchase Orders.

SCOPE AND METHODOLOGY

Scope: reimbursable travel and entertainment expenses for the period of April 1, 2015 through July 20, 2016 for a sample of 13 executives. Our sample set included vice presidents and deans whose travel expenses had not been examined during the past three years and executives with previous violations.

Methodology: Review of pertinent documentation related to travel and entertainment expenses.
AUDIT RESULTS

Entertainment Expenses

Criteria: Procedure 4-26, Reimbursements and Payments Other Than for Travel and Purchase Orders, provides guidance concerning entertainment expenses.

Condition/Observation: We examined documentation for 32 entertainment expense reports that totaled $7,380.64. Of the 32 expense reports examined, nine (28%) had errors as noted below:

- expense reports not having the proper approvals (6),
- improper supporting documentation (2), and
- exceeding the allowable maximum amount per person per meal (3).

Consequence: University funds may potentially be used for reimbursement of entertainment expenses which are not allowable per policy.

Notification was sent to the executives sampled with errors in their expense reports and an action plan requested.

Travel-Related Expenses

Criteria: Procedure 2-80-1, Travel Authorizations and Obtain Permission to Travel; Procedure 2-81-1: Travel Services; Procedure 2-86-1: Meals, Lodging, Incidental Expenses and Other Fees for Travel for State and Local Funds, and Procedure 2-90-1, Completing Required Documentation for Travel Reimbursements.

Condition/Observation: We examined documentation for 34 travel-related expense reports that totaled $66,100.87, resulting in 25 (74%) of the reports containing errors, as noted below:

- Travel authorizations were not:
  - completed as required before travel was initiated (1),
  - properly completed (2), or
  - approved by the Department head or immediate supervisor (13).

- Travel expense reimbursements:
  - included claims for per diem for meals and lodging on domestic and foreign travel when actual expenses were required (19),
  - were incorrectly coded to the wrong account numbers (5), and
  - included reimbursements for alcohol (2).

Per diem payments made for meals and lodging was identified as a violation issue in the previous Executive Travel & Entertainment Expenses Audit. Subsequent to our testing during this FY 2016 audit engagement, the Division of Business Affairs created a
revision of Procedure 2-86-1, titled Procedure 2-86-2, *Meals, Lodging, Travel, Expenses and Other Fees for Travel for State Appropriated and Local Funds [8-13-2016]*, to allow per diem to be utilized.

**Consequence:** University funds may potentially be used for reimbursement of travel expenses which are not allowable per policy.

Notification was sent to each of the executives sampled, whose expense reports demonstrated violations in expense reports and an action plan requested.

The results of this audit engagement indicated a lack of general understanding of the University’s travel and entertainment policies and procedures. We therefore make the following recommendation.

**Recommendation (Low):**
Travel Support Services should conduct training for travel and entertainment expense processes.

**Management Response/Action Plan:**
The Office of Disbursements/Travel Services has previously engaged the following groups in regards to the updated travel procedures:

<table>
<thead>
<tr>
<th>Department/College/Group</th>
<th>Date of Presentation</th>
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<tbody>
<tr>
<td>Procurement Services</td>
<td>9/6/16</td>
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<td>UTARI</td>
<td>9/7/16</td>
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<td>College of Liberal Arts</td>
<td>9/14/16</td>
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<td>Academic Analytics</td>
<td>9/28/16</td>
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<td>College of Engineering</td>
<td>9/29/16</td>
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<td>Computer Science &amp; Engineering</td>
<td>10/26/16</td>
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<td>Admins Monthly Luncheon</td>
<td>11/8/16</td>
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<td>TRIO/Upward Bound</td>
<td>12/8/16</td>
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Going forward, training will be conducted in a tiered approach to cover all of the various scenarios of travel and entertainment expenses. This will be given to all colleges/schools and administrative offices. Due to the extensive topic, this will extend over a long period of time. Should a department request specific training, this will be accommodated, as well.

**Target Implementation Date:**
November 1, 2017

**Responsible Party:**
Sr. Director of Procurement Services

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CONCLUSION

Expense reports for FY 2015 had minor violations that were communicated to the respective departments along with a request for a corrective action plan; however, a minor subset of these FY 2015 expense report violations were from individuals who were also identified as having had expense report violations in the FY 2014 T&E audit. Such violations may indicate persons do not understand the travel and entertainment policies and therefore, we recommend training be conducted campus-wide by Travel Support Services.

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing* (the “Standards”). UT System policy UTS 129 titled “Internal Audit Activities” requires that we adhere to these Standards.

We appreciate the courtesy and cooperation we received from Accounting Services – primarily Procurement Services, Travel Support Services and the Accounts Payable Department – and the various executives contacted during this audit engagement.