



October 18, 2018

James B. Milliken
Chancellor
The University of Texas System Administration
210 West 7th Street
Austin, Texas 78701

Dear Chancellor Milliken:

The System Audit Office has completed a review of executive and senior management travel and entertainment expenses at The University of Texas (UT) System Administration. The report is attached for your review.

The engagement objective was to determine whether travel and entertainment expenses reimbursed to, or paid on behalf of, UT System executives and senior management were appropriate, accurate, and in compliance with applicable UT System policies. The scope included expenses from September 1, 2016 through April 30, 2018 for UT System Executive Officers, the General Counsel to the Board of Regents, associate and assistant vice chancellors, executive directors, and directors. The review was conducted in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance provided by various UT System Administration departments in conducting this engagement.

Sincerely,

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

cc: Barry McBee, Special Assistant to the Chancellor

**The University of Texas System Administration
A Review of Executive and Senior Management
Travel and Entertainment Expenses
FY 2018**



October 2018

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
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The University of Texas System Audit Office

Review of Executive and Senior Management Travel and Entertainment

Fiscal Year 2018

BACKGROUND

The System Audit Office began conducting audits of executive travel and entertainment expenses starting in Fiscal Year (FY) 2013 in keeping with the required audits of these types of expenses by Chief Administrators. Due to the small number of reportable findings and associated low risk from the past audits, a limited review was elected to be performed for FY 2018.

CRITERIA

Various state and federal sources provide compliance requirements and guidance for travel and entertainment expenses. State travel laws and rules applicable to institutions of higher education include the State of Texas Travel Regulations Act (*Texas Government Code, Chapter 660*), *Texas Administrative Code*, the *General Appropriations Act*, and official interpretations of those laws and rules by the State Comptroller of Public Accounts. Federal compliance requirements and guidance are found in the *Internal Revenue Code*. Applicable state and federal requirements and guidance are reflected in the UT System Board of Regents' *Rules and Regulations*, various UT Systemwide (UTS) policies, and the UT System Administration Handbook of Operating Procedures (HOP). For this engagement, the primary criteria utilized were HOP 2.1.1 Travel Policy (formerly INT114) and UT System HOP 2.1.2 Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds (formerly INT115).

ENGAGEMENT OBJECTIVES

The engagement objective was to determine whether travel and entertainment expenses reimbursed to, or paid on behalf of, UT System executives and senior management were appropriate, accurate, and in compliance with applicable UT System policies.

SCOPE & METHODOLOGY

The engagement scope included travel and entertainment expenses reimbursed to, or paid on behalf of, UT System executives and senior management from September 1, 2016 through April 30, 2018. Senior management includes UT System Executive Officers, the General Counsel to the Board of Regents, associate and assistant vice chancellors, executive directors, and directors.

To achieve our objective, relevant UT System policies and procedures were reviewed, data analytics were performed to identify potential instances of non-compliance, and supporting documentation was examined for transactions flagged through analytical procedures.

The review was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

ENGAGEMENT RESULTS

This engagement included review of travel and entertainment expenses reimbursed to, or paid on behalf of, 105 executive officers and senior managers. During the period September 1, 2016 through April 30, 2018, UT System incurred the following expenses, which were included within the scope of this review:

- Reimbursements to executive officers and senior managers, totaling approximately \$553,422 for travel expenses and \$111,906 for business entertainment expenses
- Centrally-billed airfare totaling approximately \$474,764
- Payment of social club dues totaling approximately \$28,679



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The following analytical procedures were performed as part of this review:

- Identification of travel and entertainment expense reimbursements that were submitted more than 60 days after the expense was incurred to assess whether appropriate tax treatment was followed
- Identification of duplicate payments made to employees (through reimbursement requests) or vendors (through use of purchasing cards) for travel and entertainment expenses
- Identification of instances in which travelers exceeded established General Services Administration (GSA) lodging and meal allowances to validate overages were appropriately documented and not paid with state funds
- Identification of travel expenses incurred on UT System holidays to ensure expenses have a business purpose
- Identification of expenses incurred for first-class or business-class airfare to confirm compliance with policy
- Identification of instances in which the maximum meal rates for business entertainment established in HOP 2.1.2 were exceeded to verify if there was documented justification and approval
- Identification of expenses paid for social club memberships to determine whether advance approval was obtained

No reportable findings were identified related to timeliness of submitting reimbursement requests, duplicate payments, expenses associated with holiday travel, purchases of first/business class airfare, travel (lodging and meal) and entertainment expense overages, or social club memberships.

CONCLUSION

Overall, the travel and entertainment expenses for executive and senior management were appropriate, accurate, and in compliance with applicable UT System policies.

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

Moshmee Kalamkar, CPA, CIA
Assistant Director