



November 30, 2018

Britt Harris
President, Chief Executive Officer, and Chief Investment Officer
The University of Texas/Texas A&M Investment Management Company
210 West 7th Street, Suite 1700
Austin, Texas 78701

Dear Mr. Harris,

We have completed our audit of The University of Texas/Texas A&M Investment Management Company (UTIMCO) travel and business entertainment expenses. The detailed report is attached for your review.

We conducted our audit in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance provided by UTIMCO.

Sincerely,

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

cc: Janet Handley, Chairman of the of the UTIMCO Audit and Ethics Committee
Rich Hall, Deputy Chief Investment Officer
Joan Moeller, Senior Managing Director of Accounting, Finance, and Administration, UTIMCO
Cissie Gonzalez, General Counsel and Chief Compliance Officer, UTIMCO
Scott C. Kelley, Ed.D., Executive Vice Chancellor for Business Affairs, UT System

**The University of Texas/Texas A&M Investment Management Company
Travel and Business Entertainment Expenses Audit Report
Fiscal Year 2018**



November 2018

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
210 WEST SEVENTH STREET
AUSTIN, TX 78701
(512) 499-4390



The University of Texas System Audit Office
UTIMCO Travel & Business Entertainment Expenses Audit
Fiscal Year 2018

AUDIT REPORT
November 2018

BACKGROUND

The University of Texas/Texas A&M Investment Management Company (UTIMCO) is a 501(c)(3) corporation that was formed to manage investments for The University of Texas and The Texas A&M University Systems. In 1996, The University of Texas (UT) System Board of Regents (BOR) first contracted with UTIMCO to invest several major endowment funds (Funds) under its fiduciary control. The BOR has fiduciary responsibility for the Funds and has delegated day-to-day management of the Funds to UTIMCO, pursuant to the Investment Management Services Agreement between the BOR and UTIMCO. UTIMCO is a separate legal entity and is not a state agency.

UTIMCO employees travel to domestic and international locations in order to meet with existing and prospective investment partners and to attend investor meetings, conferences, and training. Employees also incur business-related entertainment expenses when meeting with clients, existing and prospective investment partners, business associates, and colleagues. Expenses associated with travel and business entertainment may be reimbursed to or paid directly on behalf of UTIMCO employees. Guidance for these expenses is provided by various policies and procedures, including the UTIMCO Travel Guidelines, Travel Related Lodging Procedures, and UTIMCO's Code of Ethics.

AUDIT OBJECTIVE

The objectives of this audit were to determine whether:

- The UTIMCO Chief Executive Officer and Chief Investment Officer's (CEO) travel and business entertainment expenses were appropriate, accurate, and in compliance with applicable policies and procedures.
- The UTIMCO management's (at the director level and above) travel and business entertainment expenses were appropriate, accurate, and in compliance with applicable policies and procedures.

SCOPE AND METHODOLOGY

The audit scope included travel and business entertainment expense reimbursements and direct payments made on behalf of the UTIMCO CEO during the period August 1, 2017 through February 28, 2018. The scope also included travel and business entertainment expense reimbursements and direct payments made on behalf of UTIMCO management (at the director level and above) during the period January 1, 2016 through February 28, 2018. To achieve our objective, we reviewed UTIMCO's internal policies and procedures; met with UTIMCO staff to gain an understanding of related processes; and tested a sample of transactions to determine whether expenses were appropriate, accurate, and in compliance with applicable policies and procedures. We conducted our audit in accordance with the guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

AUDIT RESULTS & CONCLUSION

We tested a sample of 25 trips totaling \$225,529 taken by the CEO and seven directors and a sample of 15 business entertainment expenses totaling \$3,781 incurred by the CEO and eight directors. Overall, the CEO's and management's travel and business entertainment expenses that we tested appeared appropriate, accurate, and in compliance with policies, procedures, and UTMCO's Code of Ethics. No significant internal control deficiencies were identified, and non-reportable observations were separately communicated to management.

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

Eric J. Polonski, CPA, CIA
Director of Audits