

19-206 Review of Executive Travel and Business Entertainment Expenditures

EXECUTIVE SUMMARY

Internal Audit completed a review of Executive Travel and Business Entertainment Expenditures for the period of January 1, 2018 through December 31, 2018. The objective was to review the expenditures for proper approval, supporting documentation, accuracy, business purpose, allowability, and timeliness, in accordance with institutional policies.

We reviewed travel and business entertainment expenditures totaling more than \$494,000 for 20 Executives. This represented 28% of the \$1.8 million in total expenditures for the period. We noted no significant exceptions. However, we identified an opportunity to improve current monitoring activities to ensure that travel and business entertainment expenditures align with current institutional policies.

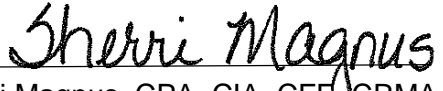
Details are outlined in the **Detailed Observations** section below. We also communicated the observations to the respective Executives and to the Physicians Referral Service where applicable.

Management's Summary Response:

Management agrees with the observations and recommendations and has developed action plans to be implemented on or before September 30, 2019.

Appendix A outlines the methodology for this project.

We sincerely appreciate the courtesy and cooperation extended by the Executives and the Accounts Payable and Travel Department.



Sherri Magnus, CPA, CIA, CFE, CRMA
Vice President & Chief Audit Officer
August 29, 2019

DETAILED OBSERVATIONS

Observation 1:**Improve Travel Review Process****RANKING: Medium**

The current review process within Accounts Payable and Travel may not always detect errors and instances of noncompliance related to travel and business entertainment expenditures. We identified expenditures that were unreasonable, unallowable, or were not properly supported. (See details at **Observation 2**)

The Institutional Internal Control Policy states that, prior to approving, management shall verify that the transaction is consistent with policy, allowable, accurate, reasonable, and supported by proper documentation. When this verification is not performed, institutional guidelines may not be consistently applied and inappropriate expenses could be reimbursed.

Recommendation:

Accounts Payable and Travel should enhance its travel review process to identify and address errors and instances of noncompliance. In addition, the department should provide training and education on business entertainment and travel requirements to appropriate individuals, as needed.

Management's Action Plan:

Executive Leadership Team Member: Ben Melson

Division/Department Executive: Michael Keneker

Owner: Karla Aspinall

Implementation Date: September 30, 2019

Accounts Payable & Travel leadership team conducts bi-monthly Travel department meetings. These meetings are a source of training opportunities for the team. Leadership will enhance these training sessions in an effort to mitigate reimbursement of expenses that do not comply with MD Anderson's travel and business entertainment policies and guidelines.

Observation 2:**Ensure Expenditures Comply with Institutional Policies****RANKING: Low**

Several expenditures were approved and reimbursed to employees even though they did not appear reasonable or did not comply with current travel and business entertainment policies and guidelines. Specifically, we noted the following:

- Unreasonable expenditures relating to meals for departmental meetings totaling \$15,000
- Duplicate reimbursement of \$841 in hotel and personal car mileage expenses for one employee. The overpayment was repaid to the Institution as a result of our review.
- An employee reimbursed for personal travel totaling \$399.
- Unallowable expenses for alcohol because of improper funding source or due to the absence of non-MD Anderson guests
- Meal and hotel expenditures in excess of allowable limits in several instances
- Business entertainment meals and gratuities in 3 instances lacking adequate supporting documentation such as business purpose, attendees and proper receipt
- Several foreign trips lacked prior approval (approval occurred after the trip)

Institutional policies require expenses to be accurate, reasonable, within allowable limits, properly approved, supported by proper documentation, and submitted for reimbursement in a timely manner. When policies are not followed, inappropriate transactions could occur or may not be reimbursed timely.

Recommendation:

Accounts Payable and Travel should coordinate with the responsible executives to ensure the Institution is reimbursed for the unallowable expenses identified as appropriate. Additionally, the department should strengthen its internal processes to ensure travel and business entertainment expenditures are not reimbursed unless they comply institutional policies.

Management's Action Plan:

Executive Leadership Team Member: Ben Melson

Division/Department Executive: Michael Keneker

Owner: Karla Aspinall

Implementation Date: September 30, 2019

The Travel team is responsible for auditing expenses to ensure allowability, and to ascertain that expense dates and amounts are in alignment with line items recorded in Concur. Trips lacking pre approval were isolated instances where the Concur travel request identified the booking type as "No Booking". This particular booking type is typically an indication of host paid travel, whereby the host provides the airline tickets. Host paid travel that circumvents the Concur travel request process are unknown to the Travel team until incidental expenses are submitted for reimbursement. This type of travel is outside the purview of AP & Travel, however, when non-compliance is identified, we will continue to provide training opportunities where deem fit.

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Executives, who were reimbursed for unallowable expenses have repaid the institution.

AP & Travel leadership team will continue to conduct bi-monthly Travel department meetings. Leadership will enhance these training sessions in an effort to mitigate reimbursement of expenses that do not comply with MD Anderson's travel and business entertainment policies and guidelines.

Appendix A

Objective, Scope and Methodology:

The objective was to review the expenditures for proper approval, supporting documentation, accuracy, business purpose, allowability, and timeliness, in accordance with institutional policies. The review related to activity during the period of January 1, 2018 through December 31, 2018.

Our methodology included the following procedures:

- Extracted and validated travel and business entertainment expenditure data from the Concur Travel and Expense system and PeopleSoft.
- Analyzed the expenditure data for sample selection purposes.
- Tested the transactions for compliance with institutional policies and guidelines, using supporting documentation from Concur as well as departmental information.

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*.

Number of Priority Findings to be monitored by UT System: None

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.