

## 20-304 Review of Travel and Business Entertainment Expenditures

### EXECUTIVE SUMMARY

In accordance with our FY20 work plan, Internal Audit has completed the review of Travel and Business Entertainment Expenditures for the period of January 1, 2019 through December 31, 2019. The objective was to review travel and business entertainment expenses 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 \$670,000 for 44 individuals. This represented 75% of the \$892,000 in total expenditures for the selected individuals. Overall, we identified the following areas for improvement:

- Inadequate or undocumented business purpose
- Late approvals/lack of required approvals
- Inadequate supporting documentation
- Untimely submission of expenses

#### **Management's Summary Response:**

*Management agrees with the observation and recommendation and has developed action plans to be implemented on or before 06/30/2021.*

**Appendix A** outlines the objective, scope and methodology for this review.

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



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Sherri Magnus, CPA, CIA, CFE, CRMA, CHIAP  
Vice President & Chief Audit Officer  
August 31, 2020

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**Observation 1:****Ensure Expenditures Comply with Institutional Policies****RANKING: MEDIUM**

Travel and business entertainment expenditures were not always reasonable or in compliance with current institutional policies and/or guidelines. Specifically, we noted the following:

- Seven trips lacked appropriate approvals, including 6 trips where approval occurred after the trip commenced and 1 international trip that lacked required division head approval
- Business purpose was insufficient (vague, lacked adequate detail) for 166 expenditures
- For one trip, hotel expenditures of approximately \$1,700 were incorrectly reimbursed to an employee
- For three trips, hotel expenditures exceeded the allowable limits for a total of \$879
- Alcohol expenditures totaling approximately \$1,100 were improperly reimbursed
- Two expenditures (\$765) were reimbursed with an improper funding source
- 32 expense reports totaling approximately \$38,000 were not submitted in a timely manner

Institutional policies require expenses to be properly approved, have a descriptive business purposes and adequate supporting documentation, be reasonable, within allowable limits, and submitted for reimbursement in a timely manner. When policies are not followed, inappropriate transactions could occur, resulting in the loss of institutional funds, or expenses may not be reimbursed timely.

**Recommendation:**

Management should strengthen its internal review processes to ensure travel and business entertainment expenditures are not reimbursed unless they comply with institutional policies. In addition, management should provide employees with additional guidance on travel and business entertainment requirements, with an emphasis on business purpose, approvals and timelines for submission.

**Management's Action Plan:**

Executive Leadership Team Member: Ben Melson

Division/Department Executive: Michael Keneker

Owner: Karla Aspinall

Implementation Date: 06/30/21

*Accounts Payable & Travel conducts bi-monthly meetings. These meetings are a source of training opportunities for the team. Management will continue to 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.*

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*The pre- trip approval/authorization process, commonly known as Requests, is outside the scope of expense processing and resides within the department of the traveler. As Accounts Payable & Travel is not a workflow step in the process, the review of Requests for business purpose, and/or legitimacy are outside of our purview. AP & Travel in conjunction with Internal Audit recommends that a workflow step is added to allow AP & Travel to take action on travel Requests. We will seek Leadership's approval of the recommendation below. The workflow recommendation is as follows:*

- ❖ Employee Submits Request – AP & Travel Reviews & Approves – Routes to Manager and/or Division Leader for final approval.*
- ❖ Employee Submits Request – AP & Travel Reviews & Deny/Returns – Routes to employee for supporting documentation or business justification and eventual resubmission.*

*Timely submission of expense reports are those that are submitted within 60 days of incurring the expense. Expense reports that are returned for corrections and eventual resubmission fall outside of the 60 days submission requirement. Additionally, due to relaxing the Travel policy as a result of the COVID-19 disruption in operations, the 60 day submission requirement was relaxed through the end of FY20. We fully expect to see a reduction in first time submissions of untimely expense reports under the Travel policy in FY2021, due to the use of Concur Detect for travel reimbursements auditing. We also expect to see an overall reduction of other Travel policy related exceptions in 3<sup>rd</sup> quarter FY21. This is also a direct correlation to the processing of Travel reimbursement through the Concur Detect AI tool.*

Executive Leadership Team Member: Ben Melson  
Owner: Karen Kennedy  
Implementation Date: 06/30/21

*Physicians Referral Service (PRS) reviews and approves Business Entertainment employee expense reimbursements through PS Local, Business & Other Policy. PRS will ensure that the PRS Faculty Development Fund and Chair Fund guidelines are in alignment with institutional Business Entertainment policy and make the necessary changes/edits. PRS management meets daily with the PRS Concur team to discuss Concur reports that require additional review and communicate any updates to the Concur process. PRS management communicates steps required to ensure the report is in compliance with institutional guidelines. This may require returning the report, contacting the department for additional information or contacting department management for departmental approval. Timely submission of expense reports are those that are submitted within 60 days of incurring the expense. Expense reports that are returned for corrections and eventually resubmitted are reviewed for the initial submit date in the Concur audit trail. If the receipt/invoice date is greater than 60 days from the initial submit date, PRS will return/deny the Concur report. PRS management will continue to meet daily with the PRS Concur team in an effort to mitigate reimbursement of expenses that do not comply with MD Anderson's business entertainment policies and guidelines.*

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## Appendix A

### Objective, Scope and Methodology

The objective was to review travel and business entertainment expenses 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, 2019 through December 31, 2019.

Our methodology included:

- Selected a sample of employees using agreed-upon criteria
- Gained an understanding of travel and business entertainment policies and procedures and fund guidelines
- For the selected sample items, reviewed for proper approval, supporting documentation, accuracy, business purpose, allowability, and timeliness of expense submission

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

### **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.*”

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