



Travel and Entertainment

Audit Report No. R2410 | *May 31, 2024*



Executive Summary

Audit Objective

To ensure the reliability and integrity of financial information, efficiency and effectiveness of programs and compliance with UT Dallas and other applicable policies and procedures as it relates to travel and entertainment expenses.

Controls and Strengths

- There is a one-page travel guideline for reimbursements available.
- An approval workflow exists to ensure expenses are authorized and approved by the employee’s supervisor.
- All reimbursements are reviewed by Procurement staff.

Overall Conclusion

Overall, controls over travel and entertainment are effective. Opportunities exist to enhance controls over student travel and travel processes over documentation, training, written procedures, and records retention.

Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

| Observation | Risk Level | Management’s Implementation Date |
|---|------------|----------------------------------|
| 1. Enhance Controls over Student Travel | High | May 1, 2025 |
| 2. Improve Travel and Entertainment Processes | Medium | December 31, 2024 |

For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.



Detailed Audit Results

| Observation | Risk Level/Effect | Recommendation ¹ |
|---|--|--|
| <p>1. Enhance Controls over Student Travel</p> | | |
| <p>UT Dallas policy UTDBP3023, Travel and Risk Related Activities, outlines requirements to promote safe travel by students to and from events and activities. This policy, which was last updated in FY12, covers travel activities within the Office of the Provost as well as the Office of the Dean of Students. International student travel is handled via the International Students and Scholars Office (ISSO).</p> <p>In testing for compliance with the policy as well as the effectiveness of controls over student travel, 16 of the 100 expenses tested did not contain the student travel documents required by UTDBP3023. The student travel documentation was either missing, not complete, or not filled out. Based on the testing, areas of improvement for student travel include:</p> <ul style="list-style-type: none"> Better tracking and management of student travel documentation. | <p>Without strong controls over student travel, there are increased risks related to student safety.</p> | <p>High</p> <p>The Offices of the Provost and the Dean of Students should continue to work with the university-wide group to ensure that UTDBP3023 is up to date and is periodically reviewed and updated in the future. Both offices should develop stronger student travel policies and procedures that include processes for maintaining required travel documentation and ensure that the policies and procedures are communicated to the campus.</p> |

¹ See Appendix B on page 12 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.



| Observation | Risk Level/Effect | Recommendation ¹ |
|--|---|--|
| <ul style="list-style-type: none"> Improving procedures for student travel, including procedures for student employees and the use of rental properties during travel. <p>A university-wide work group had been created in FY21 with various offices, including the Provost, Dean of Students, Institutional Risk and Safety, and the ISSO, to improve student travel processes; however, the work group had not recently met.</p> | | |
| <p>Management’s Action Plan: The Office of the Provost will draft recommended changes to the student travel policy and supplemental procedural documents, if applicable. Once complete, the Office of the Provost staff will meet with staff from Student Affairs to compare the draft documents from each area to determine where our procedures align and where our processes may vary. Once the internal review is complete, we will take our document(s) to Institutional Risk and Safety for review from a university perspective. Once all reviews are complete, Student Affairs and the Office of the Provost will jointly work through the proper process to formally update the policy.</p> <p>Responsible Party Name and Title: Heather Burge, Associate Provost</p> <p>Estimated Date of Implementation: May 1, 2025</p> | | |
| <p>2. Improve Travel and Entertainment Process</p> | | <p>Medium</p> |
| <p>Travel and entertainment processes are governed by the following policies:</p> <ol style="list-style-type: none"> Travel Expenses - UTDBP3104 International Travel Policy - UTDP1108 | <p>Without strong policies and procedures, employees may not fully understand their responsibilities for travel and entertainment, which could result in noncompliance as well as inefficiencies.</p> | <p>Improve travel and entertainment processes by ensuring sufficient documentation is included with expense reimbursements, updating existing policies and procedures, ensuring consistent</p> |



| Observation | Risk Level/Effect | Recommendation ¹ |
|--|-------------------|--|
| <p>c. Entertainment and Official Occasions – UTDBP3094</p> <p>Internal audit reviewed the travel and entertainment policies, procedures, and processes and tested expenses for the effectiveness of controls and compliance with university policies and procedures, noting the following:</p> <p>a. Documentation of Travel and Entertainment Expenses</p> <ul style="list-style-type: none">• Hotel and meal amounts were over per diem with no additional approval.• Hotel and meal expenses were incurred past the conference dates with no additional approval.• Reimbursements are required to be reimbursed within 90 days of the travel date. There were instances where employees were reimbursed almost a year after the last day of travel.• There were receipts that were not itemized and/or unreadable.• There were unclear business purposes. | | <p>domestic travel authorization processes, complying with records retention guidelines, and updating and improving training guidance.</p> |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| <ul style="list-style-type: none">• Business meal reimbursements did not always contain a list of attendees.• Special Event Risk Assessments were not completed for some events.• There were incorrect account codes used. <p>b. <u>Entertainment Policies and Procedures</u> In reviewing the entertainment policy, the guidelines for the expenditure of funds states that expenses should be reasonable and appropriate for the nature of a particular business event, and that specific guidance and processing procedures can be found on the website. However, the link to the specific guidance is no longer working, and no specific guidance could be found.</p> <p>c. <u>Travel Authorization for Domestic Travel</u> Although travel authorizations are required for international travel, there is no requirement in place for domestic travel authorizations by an</p> | | |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| <p>employee's supervisor prior to travel taking place. Instead, the process is left up to departmental supervisors. In some cases, departments use the university's travel authorization form; however, in other cases emails are used to document travel authorization prior to a trip. In benchmarking with other UT academic institutions regarding travel authorizations, all have a centralized process for domestic travel authorizations rather than leaving it up to departments.</p> <p>d. <u>Records Retention</u> UT Dallas's Record Retention Schedule policy states that, in general, travel and entertainment expense reimbursements should be deleted three years after the fiscal year the travel occurred. The eProcurement system has never deleted these records.</p> <p>e. <u>Training</u> There are currently no training opportunities offered for travel and entertainment topics. Prerecorded</p> | | |



| Observation | Risk Level/Effect | Recommendation ¹ |
|--|-------------------|-----------------------------|
| <p>videos, “Quick Guides,” and one-page guides do exist. While these types of guides can be helpful, they are not detailed enough to ensure employees are fully aware of the travel and entertainment procedures.</p> | | |
| <p>Management’s Action Plan:</p> <p>a. Documentation of Travel and Entertainment Expenses The Office of Budget and Finance will continue providing guidance to departmental users to improve the documentation of travel and entertainment expenses. The Travel and One Card team will strengthen the documentation review process to ensure all the required documentation is attached to travel and entertainment transactions.</p> <p>b. Entertainment Policies and Procedures The Office of Budget and Finance will make the guidance and processing procedures easily accessible to campus departments. The weblink in the Entertainment policy is working and is directing to the OBF homepage where specific guidance and processing procedures can be found. We included the OBF homepage in the policy to avoid having to update the policy every time we make changes to the website content or structure.</p> <p>c. Travel Authorization for Domestic Travel The Office of Budget and Finance Travel Office has no means to effectively implement this recommendation. It has been our experience that when we require a Travel Authorization, the majority of the departmental approvals are prepared at the same time the travel reimbursement request is prepared. Thus not accomplishing the desired objective. As the departmental approval of a travel reimbursement indicates ultimate approval, it would be incorrect for the Travel Office to disallow a reimbursement due to the absence of a pre-approval document. We provide a uniform travel authorization document in the newly developed T&E module. OBF will make sure processing guidelines are consistent with the UTD travel policy and clarify that employees must receive approval before traveling on university business.</p> | | |



| Observation | Risk Level/Effect | Recommendation ¹ |
|---|-------------------|-----------------------------|
| <p>d. Records Retention The Office of Budget and Finance will work with OIT to design a process to routinely purge eProcurement data to comply with the records retention guidelines.</p> <p>e. Training The Office of Budget and Finance will make detailed Travel and One Card Desk manuals available to campus departments.</p> <p>Responsible Party Name and Title: Brian Bernoussi Associate Vice President</p> <p>Estimated Date of Implementation:</p> <ul style="list-style-type: none"> a. 08/31/2024 b. 08/31/2024 c. 08/31/2024 d. 12/31/2024 e. 12/31/2024 | | |

Overall Conclusion

Overall, controls over travel and entertainment are effective. Opportunities exist to enhance controls over student travel and travel processes over documentation, training, written procedures, and records retention.



Appendix A: Information Related to the Audit

Background

Travel and business/entertainment expenses are processed by the [Travel & One Card Office](#), reporting to the Vice President for Budget and Finance through the Associate Vice President of Operations Procure to Pay group. FY23 and FY24 (through quarter 1) expenses for travel and entertainment totaled approximately \$7.5 million.

| Type Expense | Amount |
|---------------|---------------|
| Travel | \$4.4 million |
| Entertainment | \$3.1 million |

Without effective controls over travel and entertainment expenses, the risks of fraud, noncompliance with policies and procedures, and inefficiency are increased, and the university could face reputational risks that could impact funding and enrollment.

Objective

To ensure the reliability and integrity of financial information, efficiency and effectiveness of programs and compliance with UT Dallas and other applicable policies and procedures as it relates to travel and entertainment expenses.

Scope

The scope of the audit was FY 23 and FY24 through November 2023. Fieldwork was conducted from January 12, 2023, and the audit concluded on April 8, 2024.



Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls².

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

| Audit Area | Methodology | Observations Related to the Audit Area |
|--|---|--|
| Gaining an Understanding of Travel and Entertainment Processes | Gained an understanding of operations by interviewing key responsible parties, reviewing policies, procedures, and other related documentation, benchmarking with other universities, as necessary. Performed a risk assessment to identify areas of high risk within operations, and focused audit procedures on those risks. | N/A |
| Travel and Entertainment Expenses | Tested expenses to ensure the effectiveness of controls over travel and entertainment, including authorizations, reasonableness, | Issue #1 and #2 |

² <http://www.coso.org>



| Audit Area | Methodology | Observations Related to the Audit Area |
|------------|---|--|
| | supporting documentation, and compliance with policies, procedures, and contract/grant/gift restrictions. | |

Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



Appendix B: Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

| Risk Level | Definition |
|-----------------|---|
| Priority | If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC). |
| High | High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| Medium | Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| Low | Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level. |
| Minimal | Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting. |



Appendix C: Report Submission and Distribution

We thank the Offices of Budget and Finance, the Provost, and Student Affairs management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

DocuSigned by:

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Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

Distribution List

Members and ex-officio members of the UT Dallas Institutional Audit Committee

Responsible Vice Presidents

Mr. Terry Pankratz, Vice President for Budget and Finance
Dr. Gene Fitch, Vice President for Student Affairs

Persons Responsible for Implementing Recommendations:

Ms. Heather Burge, Associate Provost
Dr. Brian Bernoussi, Associate Vice President of Operations

Other Interested Parties

Dr. Amanda Smith, Associate Vice President for Student Affairs and Dean of Students
Dr. Chad Thomas, Senior Associate Vice President for Student Affairs
Ms. Jennifer Mayes, Financial Compliance Manager

External Parties

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

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