EXECUTIVE TRAVEL

AUDIT REPORT #17-4006

Audit & Advisory Services

June 2017

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# Background

In accordance with the Campus fiscal year 2016-17 audit plan, Audit & Advisory Services (A&AS) conducted an audit of executive travel. This was a systemwide audit performed at each University of California (UC) campus. Travel expenses were reviewed for compliance with UC Business and Finance Bulletin, Policy G-28, “Travel Regulations”, and UCLA campus guidelines.

All reimbursements for travel and entertainment expenses are requested and processed through the UCLA Express online expense management system. Express has internal controls built within the system, such as Full Accounting Unit (FAU) validation and selection, approver authorization routing based on FAU, workflow via email notification, and UC travel and entertainment policies embedded in the system that creates exceptions. Many travel and entertainment policies are applied during creation and submission of the Expense Report through the use of business rules within the application. The exceptions can be warning statements or can require explanation, justification, additional information, or can prohibit entry.

Departmental travel expense approvers are established and maintained by Department Security Administrators (DSA’s) in the Distributed Administrative Computing Security System (DACSS) by FAU or hierarchy code and are embedded in the Express workflow. Once the Expense Report is authorized by the approver, it is then routed to the UCLA Corporate Financial Services (CFS) Travel Accounting work queue and is accessible only by designated members of the Travel Accounting group who audit Expense Reports for compliance with UC Policy, receipt requirements, and exceptional approval. The Expense Reports of Senior Management Group (SMG) members are further reviewed by the Associate Vice Chancellor/Controller per UCLA Delegation of Authority (DA) 541.03. DA 541.03 states that the Chancellor has delegated “the Associate Vice Chancellor/Controller, the authority to review and approve travel and entertainment expenses incurred by Vice Chancellors, Deans, Medical Center Directors, and other campus officials, as may be necessary, in accordance with UC Business and Finance Bulletins BUS-79 [Expenditures for Business Meetings, Entertainment, and Other Occasions], G-28, and other related University policies and guidelines.”

# Purpose & Scope

The purpose of the review was to ensure that UCLA business practices are in compliance with University policies over travel, including G-28, and UCLA campus guidelines. The scope of the audit included a review of travel expenses for SMG members from fiscal year 2015-16.

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary in achieving the purpose.

# Summary Opinion

Based on the work performed within the scope of the audit, travel expenses for SMG members are in compliance with University policies and procedures. Business practices have been established to monitor, review, and approve travel expenses for SMG members and help ensure compliance with University policies and procedures related to travel.

The results of the audit are detailed in the following report.

# Audit Results and Recommendations

## Travel

The travel expense data for the 18 Senior Management Group (SMG) members was obtained from a Travel Detail Report provided by Travel Accounting. SMG travel reimbursements for fiscal year 2015-16 amounted to approximately $225,235. This amount represents 245 Expense Reports that were submitted for reimbursement. The total fiscal year travel expenses per SMG member ranged from $574 to $83,937. One member did not have any travel expenses during the period of review.

Travel Expense Reimbursements

Test work included reviewing a judgmental sample of 40 travel Expense Reports, examination of supporting documents and Express files, and discussions with Travel Accounting staff to ensure compliance with University policies and procedures and the following attributes:

* Claim for travel related expenses were submitted within 45 days from the end of the trip.
* Expense categories (airfare, lodging, meals, incidental expenses, transportation, and other) reflected on the Travel Detail Report matched the amounts on the Expense Report.
* Flights were economy/coach class, or that business/first class flights were authorized or justified.
* All travel destinations related to the stated purpose of the trip.
* Lodging expenses were supported by itemized receipts.
* Start and end dates of the trip matched the flights and scheduled events.
* Correct mileage rate was applied.
* Source fund was checked by Travel Accounting staff for trips with alcohol purchases.
* Airport limousine service, if appropriate, was to and from an airport or railroad station.
* Purpose of the trip, supporting records, and other information demonstrating that the travel was for University purposes.
* If the traveler was unable to provide a receipt, A&AS checked that a statement with the travel expense claim was submitted indicating why a receipt was not available. If multiple receipts were missing from the tested sample, inquired to determine if this happens regularly or if the traveler rarely loses receipts.
* If the traveler co-mingled personal and business activities, an adequate explanation and records exist to demonstrate the University only paid for expenses directly associated with University business.
* Expenses were ordinary and necessary to accomplish the official business purpose of the trip.
* Each miscellaneous expense of $75 or more was supported by a receipt. Also, A&AS verified that gifts provided to a host costing $25 or more were supported by a receipt.

A&AS noted the following:

* Travel expenses (airfare, lodging, meals, incidental expenses, transportation, and other) were in compliance with G-28 and UCLA campus guidelines.
* Expense Reports were properly prepared and reviewed by the department, Travel Accounting staff, and by the Associate Vice Chancellor/Controller.
* Travel expenses reviewed were supported by documentation and receipts consistent with University policies and procedures.
* SMG members did not request any travel advances as part of their trips.
* Procedures and business practices were followed in monitoring, reviewing, and approving travel expenses.

However, it was noted in seven instances, Expense Reports were not submitted in a timely manner. G-28, Section V. Procedures, I. Reporting Travel Expenses, specifies that the “travel expense claim must be submitted to the disbursements/travel accounting office (or equivalent office on campus) within a reasonable amount of time not to exceed 45 days after the end of a trip, unless there is recurrent travel.” The seven Expense Reports were submitted between 48-142 days after the travel had ended.

According to Travel Accounting, they visually check the dates to verify if an expense report is submitted late and will look for a justification for the late submission. Employees who do not submit their expense reimbursement within six months of the travel return date are subject to having the travel expenses treated as imputed income on their W-2.

CFS has taken ongoing steps in educating the campus on the importance of submitting Expense Reports timely and the UC travel policy. For example, CFS launched UCLA’s e-learning course: UC Travel and Entertainment Policies and Procedures in June 2017. The course was created for departmental preparers, approvers and faculty and staff who travel or host events on official University business, the online course covers practices and restrictions associated with G-28 and BUS-79.

There were no significant weaknesses noted in this area.

Travel Expense Review – UCLA Health SMGs

The expense reports for five of the SMGs were not reviewed by the Associate Vice Chancellor/Controller. During the audit, the CFS Travel Manager met with the Associate Vice Chancellor/Controller and a determination was made that the UCLA Health SMGs should be routed to her queue. The five UCLA Health SMGs were added to the Associate Vice Chancellor/Controller’s queue in March 2017. Even though expenses for the above five UCLA Health SMGs in the sample selected were not approved by the Associate Vice Chancellor/Controller, the expenses were appropriately reviewed by the applicable departmental representative and Travel Accounting staff.

There were no significant weaknesses noted in this area.

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