

**UNIVERSITY OF CALIFORNIA, DAVIS  
INTERNAL AUDIT SERVICES**

**Accounting and Financial Services  
Travel and Entertainment Catering and Donations  
Project #13-31**

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**MANAGEMENT SUMMARY**

As part of the Internal Audit Services (IAS) audit plan for fiscal year (FY) 2013, IAS conducted a review of travel and entertainment expenditures for University of California, Davis (UCD). The purpose of our review was to determine if:

- UCD has implemented policies and procedures that ensure compliance with Business and Finance Bulletin (BFB) G-28, *“Policy and Regulations Governing Travel,”* and BFB BUS-79, *“Expenditures for Business Meetings, Entertainment, and Other Occasions”*;
- Existing procedures and practices followed in monitoring, reviewing and approving travel and entertainment expenses for senior officials, other employees and selected departments provide reasonable assurance of compliance with University policies; and
- Travel and entertainment expenses reviewed were supported by records as required by University policies and in a manner that demonstrated costs were incurred when conducting University business.

In order to determine the scope of our review, we identified all members of the Senior Management Group (SMG) and Deans that had combined travel and entertainment expenditures greater than \$5,000 during FY 2012. We then selected for review the largest travel and entertainment claims for each individual (in descending order) until we had reached 10% of their total travel claims and 10% of their total entertainment claims. Overall, we tested a total of 52 travel claims<sup>1</sup> and 27 entertainment claims totaling \$139,235 and \$27,034, respectively. We also identified the five UCD business units that had the greatest amount of travel expenditures and the five business units that had the greatest amount of entertainment expenditures during FY 2012 in order to review the procedures and practices in those business units.

Travel and entertainment claims for SMG members and Deans are reviewed and approved within My Travel by a designee of the Chancellor who works in the Offices of the Chancellor and Provost. These claims may also be subject to additional review within the Travel and Entertainment Division of Accounting and Financial Services (A&FS).

Our audit found that travel and entertainment claims for SMG Members and Deans are generally accurate and in compliance with policy. While we noted some discrepancies that could be characterized as relatively minor, they nonetheless point to a need to improve training associated with travel claims and approval delegations.

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<sup>1</sup> A trip can have multiple travel claims associated with it. There were 26 trips associated with the 52 travel claims.

Identified minor discrepancies included:

- All the reasons for multi-purpose travel were not clearly identified to support the entire length for three of 26 trips.<sup>2</sup>
- Personal travel was not clearly identified on claims for five of 26 trips.<sup>3</sup>
- Three of 52 travel claims did not receive approval by the designated individual in the Chancellor's Office.
- Travelers did not register with Risk Services to obtain insurance coverage for 10 of 23 out-of-state trips.<sup>4</sup>
- Connexus was not used to book 22 of 26 trips.
- Rental cars were obtained from companies with which the University has a contract, but the University rate was not requested in two instances.<sup>5</sup>
- One traveler requested reimbursement for the maximum M&IE cap for several days of a trip, and erroneously submitted for reimbursement of tips in addition to the M&IE cap.<sup>6</sup>
- Claims were not filed within the required 21 days for 10 of 26 trips.
- Three travelers submitted invoices for reimbursement where the invoices did not indicate they had been paid.<sup>7</sup>

Many of the issues identified with SMG member and Dean travel claims can only be detected through careful evaluation of the travel claims by persons who are knowledgeable about University travel policies and the actual travel that took place. To facilitate accurate preparation of travel claims and an appropriate level of review of claims prior to payment, we recommend training be provided to SMG members and Deans, travel processors, and travel approvers within the travelers' business units and the Chancellor's Office.

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<sup>2</sup> These trips had a stated business purpose, but not all purposes were clearly documented in the claims submitted.

<sup>3</sup> Two travelers charged expenses associated with changing flights for personal reasons to the University for a total cost of less than \$600. These erroneous charges have been repaid to the University. <sup>4</sup> If the travelers had booked their travel through Connexus, they would have automatically received insurance coverage for the trip.

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<sup>5</sup> Failure to request University rates resulted in approximately \$515 in additional charges.

<sup>6</sup> The overpayment for tips for one claim was less than \$75. Additional research disclosed that this employee had submitted a total of seven claims for tips where maximum M&IE was requested for a total overpayment of approximately \$320 which has been repaid by the employee.

<sup>7</sup> Each of the three travelers provided the paid invoices upon request.

**I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**

**A. Travel**

**1. Review of travel claims for SMG members and Deans disclosed opportunities for improvement.**

Our review of SMG member and Dean travel claims found that travelers and those responsible for preparation, review and approval of the travel claims were not always aware of and/or ensuring compliance with travel policies. While we found only three instances where repayment was required<sup>8</sup> for a total of less than \$900, it appears that participants in the SMG and Dean travel process could benefit from additional training regarding University travel policies. The detail of our findings and recommendations for training and repayment of excess reimbursements are contained in the matrix below and are summarized after the matrix.

	<b>BFB G-28 Requirement</b>	<b>Issue Noted</b>	<b>Recommendation</b>
<b>1.</b>	<b>Business Purpose</b>		
	<p>a. G-28, Section V.I.2.a, states that, “The purpose for the travel or the nature of the business benefit derived as a result of the travel must be documented.”</p> <p>b. Section V.I.2.a also requires that, “When any personal leave is taken while on official travel status, the number of personal days must be specified on the Travel Expense Voucher and/or the expenses associated with such personal days of travel.”</p>	<p>a. For three of 26 trips where the traveler was engaging in multiple activities, documentation of the business purpose for the entire trip was inadequate. We were subsequently able to obtain appropriate explanations and documentation from the travelers as part of our audit procedures.</p> <p>b. For five of 26 trips, we could identify personal days due to the lack of business expenditures being charged to the University. However, the personal days were not specifically identified in the travel claims.</p>	<p>a. Travel training should emphasize the need to provide a complete explanation of the business purpose for the trip. Imaging important documents that support the business purpose, such as agendas or itineraries, should also be addressed.</p> <p>b. Training should include a reminder of the requirement that personal days and/or related expenses be specifically identified on travel claims.</p>

<sup>8</sup> Repayment has been received by UCD for each of the three instances where an employee was over-reimbursed.

	BFB G-28 Requirement	Issue Noted	Recommendation
<b>2.</b>	<b>Approval</b>		
	G-28, Section IV, allows the Chancellor to designate one or more Vice Chancellors to approve travel expenses incurred by Vice Chancellors, Deans and Medical Center Directors. The designated Vice Chancellor(s) may in turn re-delegate review responsibilities to a high level individual on his or her staff.	<p>We noted two instances where travel claims for a trip were not reviewed and approved by the appropriate individual in the Offices of the Chancellor and Provost.</p> <p>One claim was for prepayment of a conference registration which was approved by a person who reported to the traveler.<sup>9</sup> Another claim was approved by a manager who was not located in the traveler's office and was not aware of the need to route the claim to the designated approver. In both of these cases, the default routing to OCP was changed by the person processing the claim.</p>	Training should address the required routing and approvals for SMG and Dean travel claims, including the mechanics of completing a claim to ensure proper routing.
<b>3.</b>	<b>Insurance for Travelers</b>		
	Section V.C.1.a addresses insurance coverage for travelers. When Connexus is used to book out of state travel, the insurance coverage is automatically provided. If Connexus is not used, the traveler must register their travel with Risk Services <sup>10</sup> by completing the Traveler Insurance form to ensure coverage.	10 out of 23 out-of-state travelers did not register with Risk Services and did not book their travel through Connexus. Thus their travel was not covered by the University's insurance.	<p>a. The need and methods to obtain proper travel insurance coverage should be emphasized in travel training.</p> <p>b. As the number of individuals who did not register with Risk Services and obtain insurance coverage may be indicative of a campus wide problem, A&amp;FS should consider issuing a directive to clarify insurance requirements to the campus at large.</p>

<sup>9</sup> This claim was charged to a federal flow-through agreement for which required pre-approvals were not obtained. As a result, the charges were moved to an allowable funding source.

<sup>10</sup> A link to the insurance form is provided on the UCD Travel & Entertainment website.

	BFB G-28 Requirement	Issue Noted	Recommendation
<b>4.</b>	<b>Transportation Expenses</b>		
4.1	<p><b><u>Connexus</u></b></p> <p>Section V.D.1.b states, “Transportation tickets should be procured in advance in order to obtain any discounts offered by the carrier or negotiated by the University. Such tickets should be purchased through Connexus.”</p> <p>Sections III.B and III.C.1 also address the need to use the University’s preferred suppliers (Connexus).</p> <p>President Yudof’s June 21, 2009 letters to the Chancellors said that Campuses should mandate the use of Connexus after appropriate training and communication.</p>	<p>Only four of the 26 travelers used Connexus to book their travel activities.</p>	<p>a. UCD should promote the use of Connexus through training, emphasizing the long-term cost savings that can be obtained through Connexus.</p> <p>b. The University of California is currently evaluating Connexus to identify opportunities for enhancement. Once this evaluation is complete, consideration should be given to mandating use of Connexus at UCD.</p>
4.2	<p><b><u>Rental Cars</u></b></p> <p>Section V.D.3.b says, “The traveler is responsible for obtaining the best available rate commensurate with the requirements of the trip. The discount negotiated with car rental agencies by the University should be requested when available.”</p>	<p>Two travelers used car rental agencies with whom the University has a negotiated rate, but did not request the negotiated rate. This resulted in approximately \$515 of additional costs to the University.</p>	<p>Training should include the discussion on using our UC Rental Car Agreement and requesting the negotiated rates.</p>

	<b>BFB G-28 Requirement</b>	<b>Issue Noted</b>	<b>Recommendation</b>
4.3	<p><b><u>Changing Routes</u></b></p> <p>Section V.D.1.f states, “When a traveler takes an indirect route or interrupts travel by a direct route, for other than University business, any resulting additional expenses shall be borne by the traveler.”</p>	<p>One traveler modified their travel plans to include personal travel. The approximate \$300 cost of changing a flight was inadvertently charged to the University.</p> <p>The traveler’s department indicated that it is their normal practice to identify these types of charges as personal on travel claims so they will not be reimbursed. However, this particular charge was missed.</p>	<p>a. Training should include discussion on trips that have been extended for personal travel, and how to assign those costs.</p> <p>b. Repayment has been received by UCD for the inadvertent personal costs of the noted trip.</p>
4.4	<p><b><u>Cancellation of Reservations</u></b></p> <p>Section V.B.5 says, “Charges or lost refunds resulting from failure to cancel reservations shall not be reimbursed unless the traveler can show that such failure was the result of circumstances beyond the traveler’s control.”</p>	<p>One traveler did not utilize the University purchased return flight home, but instead purchased a personal return flight. The airline has stated that the flight was not cancelled, and thus a credit or refund was not obtained. The cost of the unused ticket was approximately \$250.</p>	<p>Repayment has been received by UCD for the cost of the unused ticket.</p>

	BFB G-28 Requirement	Issue Noted	Recommendation
5.	<b>Meals and Incidental Expenses (M&amp;IE)</b>		
	<p>Section V.E.2.a.i states, “For travel assignments of less than 30 days within the continental United States (CONUS), the reimbursement of daily subsistence expenses shall be based on the actual amounts incurred for lodging and meals and incidental expenses. The M&amp;IE cap shall not be treated as a per diem. M&amp;IE reimbursement shall be limited to the actual reasonable costs incurred, subject to the daily maximum reimbursement cap. Travelers should be required to submit meal receipts if it appears that they are treating the cap as a per diem by routinely claiming the full M&amp;IE amount.”</p>	<p>a. One traveler submitted the maximum daily M&amp;IE cap for several days, and also requested reimbursement for tips. The tips are considered incidental expenses, and are part of the overall M&amp;IE amount. The total excess reimbursement for incidental expenses in the claim reviewed was less than \$75. Further examination of all FY 2012 travel claims for this individual identified six additional claims where the same condition existed. The total excess reimbursement for all seven claims was less than \$320.</p> <p>b. We identified another traveler who was reimbursed the maximum daily M&amp;IE cap on a routine basis. While the receipts were maintained within the department, they were not included in the travel claim.<sup>11</sup></p>	<p>a. Repayment has been received by UCD for the excess MI&amp;E.</p> <p>b. Ensure policy requirements regarding M&amp;IE reimbursements, are included in travel training.</p>

<sup>11</sup> We performed additional analysis and identified a total of 251 UCD employees who submitted more than one claim where the maximum M&IE amount was consistently requested. For these 251 individuals, there were 726 claims (covering 1,721 days) submitted for a total M&IE amount of \$114,573. We did not review the 726 claims to determine if M&IE receipts were included with the claims.



	<b>BFB G-28 Requirement</b>	<b>Issue Noted</b>	<b>Recommendation</b>
<b>6.</b>	<b>Reporting Expenses</b>		
6.1	<p><b><u>Timing of Submission</u></b></p> <p>Section V.I.1 states, “The Travel Expense Voucher must be submitted to the campus accounting office within 21 days of the end of a trip unless there is recurrent monthly travel.”</p>	<p>Claims for 10 of 26 trips were not submitted within the 21 day deadline.</p> <p>My Travel has a system check to identify claims submitted past the 21 day deadline, though there is no actual consequence for submitting claims beyond the 21 day time frame.</p>	<p>The expectation that travel claims will be submitted within 21 days after the end of a trip should be addressed in travel training.</p>
6.2	<p><b><u>Paid Receipts</u></b></p> <p>Section V.I.2.b addresses the types of receipts that must be obtained to support travel claims. While the policy does not explicitly state that receipts must clearly indicate payment was made, the very nature of a receipt is to provide support for a payment.</p>	<p>Three travelers provided invoices that did not clearly indicate the charges had actually been paid.</p> <p>All three travelers provided the paid invoices upon IAS request.</p>	<p>Requirements for submission of receipts to support travel claims should be addressed in travel training.</p>

**Summary of Recommendations**

- a. The Travel and Entertainment Division of A&FS should conduct one or more training sessions specifically targeted to SMG members, Deans and the personnel who prepare, review and approve their travel claims. This training should provide an overview of University travel policies, and specifically address the issues noted in the above table. Participation in the training should be strongly encouraged.
- b. A&FS should ensure the two travelers who were overpaid on their travel claims as noted in the above table appropriately reimburse the University for the approximate \$900 in overpayments.

### **Management Corrective Actions**

1. A&FS will make training available, either in person or on-line, for SMG members, Deans and personnel who prepare, review and approve their travel claims that provides an overview of University travel policies and specifically addresses the findings of the audit. The training will be made available by November 1, 2013.
2. A&FS will communicate with SMG members, Deans, travel approvers designated by the Chancellor and other personnel involved in the preparation, review and/or approval of travel claims regarding the availability of the training. The Campus Controller will request that the Chancellor and/or Provost endorse the training to encourage participation. Communication regarding the training will be sent by April 30, 2013.
3. Repayment has been made to UCD by the two travelers who received excess reimbursements.

### **2. Business units with high travel expenditures reported some instances of non-compliance with University travel policies.**

The five business units with the highest volume of travel during FY 2012 answered a detailed questionnaire regarding department travel practices and participated in follow-up interviews. The following instances of non-compliance with University travel policy were reported by the business units:

- Two of five do not consistently submit travel claims to A&FS within the required 21 business days.
- Three of five do not routinely direct travelers to request exemption from occupancy taxes when traveling in the State of California.
- Two of five do not consider the risks associated with having key members of the department traveling as a group when making travel arrangements.
- One of the five does not track mileage for fleet vehicles on assignment to the department.

These above issues are indicative of a need for additional training regarding University travel policies. The A&FS training course on travel and entertainment was offered on a monthly basis in the past, but has been scaled back to every other month in recent years due to resource constraints in A&FS.

None of the above issues require repayment of travel reimbursements to the University.

**Recommendation**

- a. A&FS should evaluate the need for additional travel and entertainment classes directed towards campus travelers and travel processors (non SMG members and Deans).
- b. A&FS should communicate the appropriate practices for the four areas of non-compliance noted above to campus travelers and travel processors through the travel list-serve.

**Management Corrective Action**

1. A&FS will evaluate the need for additional training courses for the general campus community. This evaluation will be completed and additional training classes scheduled for FY 2013 (if needed) by June 30, 2013.
2. A&FS will communicate the appropriate practices for the four specific issues noted above to the campus community via their travel list serve by March 31, 2013.

**B. Entertainment****Entertainment claims were not always approved by an authorized individual.**

While compliance with entertainment policies was generally very good, one instance was noted where a claim was approved by an individual who had not been delegated approval authority by the Chancellor. An entertainment claim for a new dean was approved by an administrative employee in the dean's office and not routed to the Chancellor's delegate for final review and approval. Other than the approval itself, this entertainment claim was fully compliant with University policy.

**Recommendation**

No further action is necessary regarding the approval of the new dean's entertainment claim, as approval requirements were shared with the new dean's office during the course of the audit.

**Management Corrective Actions**

None necessary.

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