

The logo for UC Irvine, featuring the letters 'UC' in a large, bold, serif font, followed by 'IRVINE' in a smaller, all-caps, serif font. A vertical line separates the 'UC' from 'IRVINE'.The text 'INTERNAL AUDIT SERVICES' in a serif font, positioned to the right of the UC Irvine logo.

Anesthesiology Department Travel and Entertainment

Report No. I2015-601

May 5, 2015

Prepared By

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

May 5, 2015

ZEEV KAIN, MD, MBA
DEPARTMENT OF ANESTHESIOLOGY CHAIR
ASSOCIATE DEAN FOR CLINICAL OPERATIONS

RE: Anesthesiology Travel and Entertainment Review
Report No. I2015-601

Internal Audit Services has completed the limited scope review of Travel and Entertainment in the Department of Anesthesiology and report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Mike Bathke

Mike Bathke
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Roger Steinert, Interim Dean, School of Medicine (SOM)
Mona Wapner, Interim Associate Dean, Administration and Finance, SOM
Maura Hofstadter, Chief Administrative Officer & Associate Chair, Anesthesiology

I. BACKGROUND

University of California, Irvine (UCI) Internal Audit Services (IAS) was requested to complete a limited scope review of Travel and Entertainment (T&E) expenditures in the Department of Anesthesiology (Anesthesiology).

II. OBJECTIVES AND SCOPE

The objective was to assess the adequacy and effectiveness of internal controls over T&E expenditures in Anesthesiology, and compliance with University policy.

IAS obtained information from interviews with key personnel, data analysis and generated reports from Quali Financial System (KFS) and PayQuest system for T&E expenditures. IAS reviewed transactions processed from July 2013 through March 2015.

Observations were discussed with management, who formulated an action plan to address the issues noted. These details are presented below.

III. CONCLUSION

In general, the selected T&E expenses and related processes reviewed appear to be functioning as intended. However, the review disclosed some internal control concerns that should be improved to minimize risks and ensure compliance with University policies and procedures and/or best business practices.

IV. OBSERVATION AND MANAGEMENT ACTION PLAN

1. Travel and Entertainment Expenditures

Background

Anesthesiology is responsible to ensure T&E expenditures are appropriate, reasonable, and comply with University policy. Anesthesiology began utilizing KFS from July 1, 2014 to record and processes all reimbursements for various expenditures. Prior to July 2014, Anesthesiology utilized the PayQuest online system to request reimbursement for various expenditures. Both KFS and PayQuest reimbursement requests pertaining to travel expenditures and expenditures for business meetings, entertainment, and other occasions must comply with Office of the President (UCOP) Business and Finance Bulletin G-28; expenditures for business meetings, entertainment, and other occasions must comply with UCOP Business and Finance Bulletin BUS-79. Reimbursement requests must also comply with all applicable UCI policies.

Observation

IAS reviewed a sample of T&E expenditure transactions from July 1, 2013 to March 31, 2015 and noted the following:

- No issues were noted with faculty and staff travel authorizations. Anesthesiology's Finance Committee reviews and authorizes travel requests in advance. However, the Chair's business trips were not always authorized in advance as required by policy. As a result, IAS could not determine if the travels were properly authorized by the Dean's office.
- Some reimbursements were not properly approved and/or lacked adequate separation of duties. The Chair's reimbursements were not approved by the Dean but instead by the Chair's subordinate. These transactions occurred during Purchasing Coordinator's transition to the role of processing T&E in PayQuest as well as during the conversion to KFS.

- Lack of adequate supporting documentation: a) IAS noted instances where the Chair took vacation before and/or after business related travel that was not documented or recorded. As a result, IAS could not determine if the Chair's vacation was properly authorized or approved. b) Itemized hotel receipts and proper conference agenda for several transactions did not exist. c) Some foreign travel transactions did not have sufficient documentation to support the currency exchange rate utilized for conversion. d) The method of payment to evidence that expenses were actually incurred was not always clear for meal expenditure.
- The business purpose was not identified in the KFS business purpose field. The required five elements "why, where, how, what and when" noted under UC policies were not always elaborated under business purpose.

As a best practice and to be in compliance with the University policy, adequate review should be in place to minimize the risk of errors. Lack of adequate controls over T&E could result in lost or misuse of funds.

Management Action Plan

Since the internal controls over T&E reimbursements were not always adequate and effective, the following action plans will be in place by April 2015.

- A check list regarding documents that are needed to process T&E reimbursements will be created and cross referenced before each reimbursement packet is sent to the Dean's Office for final approval. In addition, a quality assurance review will be conducted every six months to ensure adequate supporting documentation exists appropriately and business purpose is defined properly. Furthermore, training will be in place internally and provided to any individual that might be assigned to process travel reimbursements within the department.

- The Chief Administrative Officer (CAO) will review all vacation requests in advance to ensure sufficient hours are available, and will record these hours internally for tracking purposes. In addition, vacation requests for the Chair while traveling for business will be submitted to the Dean's office. The Dean's office will authorize, approve, and record the Chair's vacation. Anesthesiology will maintain copies of submitted vacation requests as backup documentation for future review.