

**UNIVERSITY OF CALIFORNIA DAVIS
INTERNAL AUDIT SERVICES**

**Offices of the Chancellor and Provost
Chancellor's Expenses - G-45
Internal Audit Services Project #12-06**

February 2012

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MANAGEMENT SUMMARY

The annual Fiscal Year Expense Report of the Chancellor is required by Business and Finance Bulletin (BFB) G-45, "Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors".

Internal Audit Services performed a review of this report to ensure it was accurate, complete, and prepared in compliance with the requirements of G-45. Additionally, a review of Travel and Entertainment (T&E) expenses for the Chancellor and the Associate of the Chancellor was included to assess compliance to applicable travel and entertainment policies.

To complete our review of the G-45 Fiscal Year Report, IAS examined supporting financial records and other related documentation. We also chose a sample of 12 T&E reports for the Chancellor and the Associate for inclusion in our review. The scope for the Fiscal Year Report and the T&E review encompassed all reportable activities between July 1, 2010 and June 30, 2011.

Based on work performed, we found the Fiscal Year Reports to be complete and accurate with minor exceptions (less than 0.5%). During the review of the T&E reports however, we found documentation issues identified during last year's review still present in this year's expense reports. Although OCP had designed a form last year to help document the justification of the business purpose of the travel and entertainment claims, when put into practice for the Associate it was not detailed enough to fully document compliance with G-45 Appendix C thresholds. Finally, we identified an internal accounting practice for tracking airline credits that is in need of enhancement.

OCP was able to provide the documentation not originally included with travel reports in order to properly support all expenditures claimed, and through this review process has gained a better understanding of the requirements of G-45 Appendix C for the Associate. However, we believe additional training is warranted.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**A. Insufficient Supporting Documentation**

Supporting documentation included in the My Travel system for travel and entertainment expenses was not always sufficient to demonstrate compliance with University policy.

The My Travel system contains UCD's official record of travel and entertainment (T&E) expense reports. During our review we examined a sample of 6 travel expense reports and 6 entertainment expense reports. Although we did not find inappropriate reimbursements we did find a number of instances where documentation recorded in My Travel was insufficient to support the appropriateness of these expenses and compliance with policy. The responsible OCP staff members were able to provide the necessary documentation upon request:

- For the Associate's travel, we found three out of three travel expense reports did not contain sufficient supporting documentation to demonstrate compliance with the significant involvement criteria as set forth in G-45 Appendix C. Although OCP had created a travel briefing document to meet an internal audit recommendation for the same issue identified last year, the document did not provide sufficient documentation this year primarily because staff did not understand the threshold requirements of the G-45 Appendix C guidelines when the Associate attends a conference with the Chancellor¹.
- For the Chancellor's travel, we found incomplete supporting documentation to show compliance with travel policies², or inaccurate explanations input in the My Travel system by travel report preparers.
- Finally, the Chancellor and the Associate often undertake lengthy and complex trips, both foreign and domestic, in support of University business. These trips may include business and personal days. We found the travel briefing document as completed often combined all business activity into one general business purpose statement. This made it difficult to determine compliance with University policy², which requires each expense be listed by date and location, the purpose of the travel and the benefit derived, and that personal days are identified.

¹ BFB G-45 Appendix C guidelines specify that when the Associate is traveling with the Chancellor to a conference, a special educational program directed at spouse and partners of university presidents [Chancellors] will pass the business activity tests, if the Associate provides evidence that they registered for the program. Absent of that they must participate and describe the substantial business activities in detail with an estimate of time spent on such activities.

² BFB G-28 XII.B "Completion of a Travel Expense Voucher"

Recommendation

1. The travel briefing document should clearly identify the dates and specific business activity conducted at each location for the entire trip.
2. OCP staff responsible for preparing and approving the travel claims for the Chancellor and her Associate should ensure all required documents are scanned into the My Travel system before submitting for Controller approval. The stated business purpose should also be checked for accuracy and completeness. The final department approver should ensure all supporting documents as described by the travel briefing document have been scanned.
3. Because the Associate's travel has to pass certain thresholds to be approved as an allowable business expense, the trip should be vetted through a person knowledgeable about the G-45 Appendix C guidelines during the planning phase of the trip. This pre-trip review can help the Associate ensure the trip meets the G-45 requirements and that he is aware of the documentation that must be gathered during the trip in order to demonstrate compliance with G-45.
4. We also recommend training for those staff responsible for processing the Chancellor's and Associates T&E claims on all T&E policies including the G-45 requirements.

Management Corrective Action

1. Prior to OCP approval, staff will ensure all documents required in support of the travel are included in the My Travel claim. Extra attention will be provided to ensure the Associate's travel claim includes sufficient support to meet the threshold requirements of G-45 Appendix C. To be implemented by July 15, 2012.
2. OCP has expanded the travel briefing document to provide additional detail of a trip if travel extends beyond the conference dates. The detailed itinerary will also associate business activities with daily functions for travel outside of the conference dates. To be implemented by July 15, 2012.
3. Whenever possible, the travel plans of the Associate will be evaluated for G-45 Appendix C requirements with OCP Executive Management prior to completing the travel plans. The Associate will be informed of the documentation that must accompany his travel claim to demonstrate compliance with G-45 requirements. To be implemented by July 15, 2012.
4. OCP staff responsible for processing travel and entertainment claims on behalf of the Chancellor and Associate will complete internal training on all related policies including the G-45 requirements affecting travel and entertainment. IAS has agreed to provide this training by May 31, 2012.

B. Airline Credits Not Formally Managed**Supporting documentation for the accumulation and usage of airline credits was not maintained.**

The Chancellor and the Associate occasionally receive airline credits for changed flights associated with University business. These credits are held by the airline in the name of the traveler and represent a prepaid travel expense. OCP does record these credits, but once used the credits are deleted from internal records eliminating historical documentation. Our Records Disposition Schedules Manual requires travel related items to be retained by the Office of Record for 5 years. In this case, OCP is the Office of Record for the airline credits.

Recommendation

OCP should maintain all original documents and supporting reconciliation sheets for five years.

Management Corrective Action

OCP has begun to backfill the current spreadsheet for FY11 credits, and will maintain a record of all credits for a period of 5 years in the future. To be implemented by July 15, 2012.

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