

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES



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Alexander Bustamante  
SENIOR VICE PRESIDENT  
CHIEF COMPLIANCE AND AUDIT OFFICER

April 9, 2019

**EXECUTIVE VICE PRESIDENT NAVA**

**RE: Final Report Project No. P19A016: UCOP International Travel Reimbursements**

Attached is a copy of the final report for: Audit Services Project No. P19A016 UCOP International Travel Reimbursements. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by you and members of your staff during our review. If you should have any questions please feel free to contact me at 510-987-9646 (email: matthew.hicks@ucop.edu).

A handwritten signature in black ink, appearing to read "Matt Hicks".

Matt Hicks  
Systemwide Deputy Audit Officer

Attachment

cc: Senior Vice President Bustamante  
Associate Vice President Nelson  
Associate Vice President Arrivas  
Executive Director Kalmijn  
Director Niess  
Systemwide Associate Audit Director Cataldo  
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Team Lead Lozano  
Team Lead Vrizuella  
Systemwide Principal Auditor Sinutko

UNIVERSITY OF CALIFORNIA  
ETHICS, COMPLIANCE AND AUDIT SERVICES  
OFFICE OF THE PRESIDENT  
INTERNAL AUDIT SERVICES

UCOP INTERNATIONAL TRAVEL REIMBURSEMENTS  
Audit No. P19A016  
April 2019

Work Performed by:  
Derek Sinutko, Systemwide Principal Auditor

Work Reviewed by:  
Systemwide Associate Audit Director Cataldo  
Systemwide Deputy Audit Officer Hicks

## Executive Summary

### Introduction and Background

As part of the University of California Office of the President (UCOP) 2018 – 2019 fiscal year internal audit plan, Internal Audit performed an audit of international travel at UCOP.

During the period of October 1, 2016 through September 30, 2018, as shown in Table 1 below, UCOP staff submitted 300 expense reports for international travel at a total cost of over \$850,000, for an average reimbursement of \$2,838, including an average airfare cost of \$1,692. The cost of international trips varied widely, depending on factors such as location, duration, number of stops, and business purpose. For example, conference registration fees increase the cost of trips taken to attend these events.

**Table 1. Total international travel costs and total international airfare costs, October 1, 2016 through September 30, 2018**

Expense Type	Total	Average <sup>1</sup>	Trips <sup>2</sup>
International travel	\$851,404	\$2,838	300
International airfare	\$422,993	\$1,692	250

Further, as shown in Table 2 below, five departments accounted for 181 of 300 UCOP international travel expense reports, for a cost of almost \$640,000, or 75%, of the total UCOP international travel costs. Of these five departments with the highest total amounts and numbers of reimbursements, the Office of the Chief Investment Officer ranked first, with 84 reimbursements at a cost of over \$320,000.

**Table 2. Departments with the highest total international travel costs and numbers of trips, October 1, 2016 through September 30, 2018**

Department	Cost	Percentage	Trips <sup>3</sup>
Office of the Chief Investment Officer	\$320,450	37.6%	84
California Digital Library	\$93,016	10.9%	35
UC Press	\$82,605	9.7%	30
Office of Innovation & Entrepreneurship	\$72,362	8.5%	12
Office of Risk Services	\$71,317	8.4%	20
Totals	\$639,750	75.1%	181

Similar to the variation in the cost of international travel by department, some employees account for a disproportionate share of international travel costs, with five employees accounting

<sup>1</sup> A relatively small number of reimbursements were not trips, but rather miscellaneous expenses such as visa fees, which reduced the average trip cost. In contrast, the average airfare includes both multiple flight segments for the same trip (i.e., the traveler visited multiple cities) and miscellaneous airline fees.

<sup>2</sup> The number of trips for travel and airfare do not match because some reimbursements did not contain all expenses for a given trip. For example, one reimbursement was solely for a block of hotel rooms.

<sup>3</sup> See Note 1.

for nearly 21% of these costs, as shown below in Table 3. These five employees all work in the five departments with the highest total international travel costs.

**Table 3. Employees with the highest total amounts and numbers of international trips, October 1, 2016 through September 30, 2018**

Employee	Department	Cost	Percentage	Trips <sup>4</sup>
1	California Digital Library	\$46,452	5.5%	13
2	Office of the Chief Investment Officer	\$46,246	5.4%	10
3	Office of Innovation & Entrepreneurship	\$37,879	4.4%	4
4	Office of Risk Services	\$26,027	3.1%	8
5	Office of Risk Services	\$20,806	2.4%	5
Totals		\$177,410	20.8%	40

### Objectives and Scope

The objectives of the audit were to evaluate compliance and reimbursement procedures under UC Business and Finance Bulletin (BFB) - G-28: Travel Regulations (UC travel policy) and identify opportunities for improvement.

The scope of the audit consisted of a review of international travel reimbursements from October 1, 2016 through September 30, 2018.

### Audit Procedures

1. Obtained and reviewed UC travel policy and performed a walk-through of international travel reimbursement processing with Business Resource Center (BRC) personnel.
2. Requested travel reimbursement data for the above noted two-year period from the BRC and performed data analytics.
3. Determined the total amount of international travel reimbursements by department and employee for the purposes of report background information and selection for testing.
4. For the audit period, requested and reviewed approved travel expense reports and associated documentation for 25 international travel reimbursements selected based on employees having the highest total amounts of reimbursements from the five departments with the highest total amounts and numbers of reimbursements. We reviewed each expense report for completeness and appropriate approval signatures, sufficient and documented business purpose, personal travel reimbursement requirements, and approved and documented exceptions.
5. Consulted with the BRC and Financial Accounting on potential opportunities to improve compliance with travel policy objectives, which included developing proposed revisions to problematic policy provisions.

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<sup>4</sup> See Note 1.

## Conclusion

Our review of international travel reimbursements did not identify significant policy violations and found that all were properly approved in conformance with UC travel policy. However, we noted that many of the international travel reimbursements lacked sufficient documentation to fully support claimed expenses in one or more respects. Although these reimbursements met the general travel policy requirement for documenting business purpose, efforts are needed to ensure adequate justification is provided for each day that an employee is on travel status. Table 4 below summarizes the four categories of exceptions that we identified. Accordingly, we have captured management corrective actions designed to reinforce policy requirements and offered additional recommendations for modification to policy in the following section.

**Table 4. Exception types and numbers**

Exception Type	Number
Business purpose (insufficient documentation)	17
Exceeded per diem (insufficient documentation)	5
Submission date > 45 days after end of travel	7
Taxi services > \$75 (insufficient documentation)	1
Total	30*

\*Several expense reports contained more than one exception.

## Opportunities for Improvement, Corrective Actions and Recommendations

### 1. Insufficient Documentation to Support Travel Reimbursements

#### a) Insufficient Documentation - Business Purpose

As shown in Table 4, we identified an insufficiently documented business purpose as the most common exception. UC travel policy, section V.I.2.a, states that “substantiation of expenses” must include “the purpose for the travel or the nature of the business benefit derived as a result of the travel,” yet travelers often simply enter in their expense report a description of a trip’s business purpose without providing detailed supporting documentation.

Within our sample, this practice was particularly common for trips or portions of trips for which the business purpose consisted of administrative meetings. Although administrative business meetings may lack the formal programs or documentation that professional conferences and events typically generate, sufficient detail is nonetheless necessary to adequately substantiate business purpose. UC travel policy states that “depending upon the nature of the trip, an agenda associated with the

business reason for the trip should be provided as part of the substantiating documentation.”

Although not explicitly stated in the UC travel policy, in the event that agendas are not generated for administrative meetings, it would be incumbent upon the traveler to provide sufficient detail to adequately explain the meeting specifics for each day on travel status. For example, for instances in which the traveler visited multiple cities and/or met with multiple individuals, adequate documentation would include identifying specific meeting locations, dates, times, and subjects of meetings as well as the other individuals in attendance and their organizational affiliations.

The BRC routinely disseminates guidance memos to UCOP staff on various procedural compliance areas, including travel issues. UCOP staff would benefit if the BRC consolidated these travel guidance memos, including new guidance on how to sufficiently document travel’s business purpose, into official UCOP local travel procedures.

***Corrective Action Plan***

1. *The BRC will consolidate prior travel guidance memos and create a local UCOP travel procedures manual. The local UCOP travel procedures manual will also include guidance on how to fully substantiate and document the travel business purpose.*

***Target Date:*** November 30, 2019

2. *The BRC will modify Service Now expense report forms that it owns to incorporate and reflect additional local UCOP travel information and requirements as appropriate.*

***Target Date:*** November 30, 2019

3. *The BRC will communicate to UCOP staff the additional guidance for business purpose documentation and the local UCOP travel procedures.*

***Target Date:*** November 30, 2019

**Additional Recommendation**

During this audit, we recommended to Financial Accounting that consideration be given to revising the UC travel policy in an effort to provide additional guidance on how to sufficiently document the business purpose of travel to ensure adequate justification for each day that an employee is on travel status. We noted that efforts have commenced to draft UC travel policy changes.

## **b) Insufficient Documentation - Established Expense Limits Exceeded**

We noted instances in which expenses that exceeded the Federal Maximum Travel Per Diem Allowances for Foreign Areas (per diem allowances) were not sufficiently documented. The UC travel policy provides for special or unusual circumstances that warrant reimbursement of actual expenses that are greater than the applicable per diem allowance, but requires that the traveler document such circumstances (i.e., a written explanation). The lodging reimbursement for four of the five instances that exceeded the per diem allowance did not include an explanation or documentation for doing so.

We also identified an instance in which a local transportation expense exceeded the \$75 expense limit without a receipt.

### ***Corrective Action Plan***

*The BRC will disseminate information to UCOP staff in an effort to reinforce the UC travel policy requirements related to documentation for per diem exceptions and receipts for expenses over \$75.*

***Target date: June 30, 2019***

## **2. Expense Report Submission Date Beyond 45-Day Reporting Period**

We identified a number of expense reports (seven of 25) for reimbursement of international travel costs that the traveler submitted subsequent to the reporting period established by policy. Specifically, UC travel policy, Section V.I.1, provides for a 45-day period within which a travel expense claim must be submitted following the end of a trip. Most of the late submissions were dated within three months following the conclusion of travel, but for one reimbursement the traveler submitted their expense report 10 months after returning from his trip. Consequently, the average late submission was dated 104 days following the conclusion of travel. Travelers did not provide an explanation for most of these exceptions.

Requests submitted after 45 days are left to the discretion of the campus, which may consider the facts and circumstances of a late submission to determine whether it will reimburse the traveler and report any such reimbursement as taxable income.

### ***Corrective Action Plan***

*1. The BRC will disseminate information to UCOP staff in an effort to reinforce the UC travel policy requirements related to timely submission of travel reimbursements.*

***Target Date: June 30, 2019***

2. *The BRC will develop procedures and standards on how to implement the reporting of imputed taxable income caused by substantiated expense reports submitted after the time limit specified by policy.*

***Target date:*** November 30, 2019

### **3. Business-/First-Class Air Travel Exception**

UC travel policy allows under certain circumstances the use of business or first-class air travel, including when an itinerary involves overnight travel without an opportunity for normal rest before the commencement of working hours. The University has an opportunity to tighten this policy by further requiring advance approval and/or documented justification.

#### **Recommendations**

1. We recommend that Financial Accounting consider amending UC travel policy to provide additional guidance on how to sufficiently document and/or pre-approve the purchase of business- or first-class air travel when an itinerary involves overnight travel without an opportunity for normal rest before the commencement of working hours.
2. We also recommend that the BRC consider implementing a local UCOP procedure for documentation and/or preapproval requirements for the use of business or first-class air travel when an itinerary involves overnight travel without an opportunity for normal rest before the commencement of working hours.