

February 8, 2013

DONALD LARSON  
Controller  
0951

**Subject:        *Travel***  
***Audit Project 2013-11***

The final audit report for Travel, Audit Report 2013-11, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit. Because management corrective actions have been identified for every issue noted during our review, a written response is not required.

The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to schedule a follow-up review of the corrective actions.

UC wide policy requires that all draft audit reports, both printed be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to mail code 0919 or destroy them at this time.

David Meier  
Assistant Vice Chancellor  
Audit & Management Advisory Services

Attachment

cc:    S. Ford  
       D. Larson  
       G. Matthews  
       F. McCullough  
       D. McDevitt  
       S. Relyea  
       S. Subramani  
       M. Thiemens  
       S. Vacca  
       H. Vinograd

# UC San Diego

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## AUDIT & MANAGEMENT ADVISORY SERVICES

Travel  
December 2012

**Performed By:**

Greg Buchanan, Auditor

**Approved By:**

David Meier, Assistant Vice Chancellor

Project Number: 2013-11

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Attachment A – MyTravel Risks & Thresholds

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**I. Background**

Audit & Management Advisory Services (AMAS) completed a review of Travel as part of the University of California (UC) system-wide audit included on the approved audit plan for Fiscal Year 2012-13. This report summarizes the results of our review, which was completed using a standard audit program and approach shared by all ten UC campuses and the Lawrence Berkeley National Laboratory.

On a system-wide level, travel expenses must comply with the policies and regulations set forth in UC Business and Finance Bulletin (BFB) G-28, "Policy and Regulations Governing Travel." On a local level, UCSD departments and organized research units (ORUs) are individually delegated responsibility for ensuring that travel expenditures paid for or reimbursed with University funding sources are in compliance with G-28. UCSD Travel provides resources for processing travel expense reimbursement requests, managing the UCSD Travel Card program, and providing guidance to departments and ORUs on policy requirements.

UCSD departments utilize a web-based application called MyTravel to report and document travel expenses and reimbursement requests to UCSD Travel. MyTravel is designed to assist departments in complying with the requirements of G-28, and is used to document the business purpose of the event, the breakdown of costs into the various cost categories (airfare, ground transportation, hotel, meals & incidental expenses, and other expenses) and approvals. The system contains built in controls that require preparers to provide additional information regarding expenses that exceed established thresholds (see the thresholds on **Attachment A**). Effective April 2012, the MyTravel system provided travel preparers the ability to upload receipts supporting travel event costs. Each event processed with the MyTravel system must be electronically approved via approval hierarchies established by the department, with a UCSD Travel staff member responsible for final approval of certain MyTravel events.

During the Fiscal Year 2011-2012, UCSD incurred approximately \$29.4 million in travel expenses. The five departments that incurred the highest dollar amount of travel expenses during that year (excluding moving and relocation expenses) included:

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<b>Department</b>	<b>Total Travel Exp. (in thousands)</b>	<b>Total MyTravel Transactions<sup>1</sup></b>
<i>Psychiatry</i>	\$1,448	957
<i>Neurosciences</i>	\$1,422	1,336
<i>Calit2</i>	\$1,229	581
<i>Physics</i>	\$1,105	784
<i>Pediatrics</i>	\$1,100	870

**II. Audit Objective, Scope, and Procedures**

The objective of our review was to determine if local interpretation and application of procedures for travel expenses were adequate to ensure compliance with UC BFB G-28. In order to achieve our objective we completed the following:

- Reviewed UC BFB G-28;
- Interviewed the following representatives from BFS – Disbursements & Travel:
  - Director,
  - Accountability & Tax Compliance Manager,
  - Assistant Director for Travel, and
  - Travel Financial Team Supervisor;
- Judgmentally selected a sample of 21 travel events incurred by the Senior Management Group (SMG) and Deans whose travel and entertainment expenditures exceeded \$5,000 during the Fiscal Year 2011-2012, and tested the sampled events for compliance with G-28;
- Using an IFIS MyTravel query, identified the five departments that incurred the highest dollar amount in travel expenses during the Fiscal Year 2011-2012, and evaluated procedures and controls in place for reviewing and approving travel reimbursements and costs charged directly to the University by conducting interviews with business administrators in:
  - Neurosciences,
  - Psychiatry,
  - Cal IT<sup>2</sup>,
  - Pediatrics,

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<sup>1</sup> Many travel events are split funded between two or more Integrated Financial Information System indexes. Therefore, the total number of MyTravel transactions incurred for events taking place between July 1, 2011 and June 30, 2012 is not indicative of the total number of travel events processed through the MyTravel system.

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- Physics; and
- Reviewed IFIS approval hierarchies used to approve travel event transactions for the five departments that incurred the highest dollar amount in travel expenses during Fiscal Year 2011-2012.

The scope of this review did not include travel events that were categorized as moving and relocation expenses.

### **III. Conclusion**

Based on the audit procedures performed, we concluded that local interpretation and application of procedures for travel expenses were generally adequate to ensure compliance with UC BFB G-28. However, we did identify one travel event in which per diem and hotel costs were reimbursed for days during which the traveler was not engaged in official University business. We also identified events for which travel event transactions were approved by an individual reporting directly or indirectly to the traveler, which is contrary to University policy. We further identified opportunities where documentation practices within some departments could be improved. These findings are discussed in further detail below.

### **IV. Observations and Management Corrective Actions**

#### **A. Reimbursement of Personal Travel Expenses**

**We noted one travel reimbursement that appeared to include both business and personal expenses.**

UC BFB G-28, Section III.D states that "Under no circumstances shall expenses for personal travel be charged to, or be temporarily funded by, the University, unless otherwise noted in this Bulletin." Further, Section III.I.2 states "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."

In November 2011 the Dean for the Division of Physical Sciences flew to Kauai, Hawaii, to attend and present at a scientific conference that took place November 6 through November 10 (including registration and post workshop discussions). The Dean arrived in Kauai on November 4, and flew back to the mainland on November 12. It is our understanding that the days prior to and after the conference were non-business related. However, reimbursed expenses included 9.5 days of per diem for meals and incidental expenses, and 8 days hotel costs.

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In his response to inquiries about this event, the Dean advised that at the time he was making travel arrangements the costs for flights to Kauai were very high. He found that by extending his stay he was able to reduce the cost of airfare to a point at which it was less expensive with the inclusion of additional hotel, meals and incidental costs than it would be to purchase a flight that had him arrive just prior to and leave following the conference.

Travel expenses such as meals, incidental expenses and lodging costs should not be reimbursed for personal days included in a business travel event. Assuming the Dean had arrived in Kauai the day prior to the conference, and departed the day following the conference, we estimated that personal expenses reimbursed to the Dean totaled \$1,749.

**Management Corrective Action:**

The Dean has reimbursed the University for the meals and incidental expenses and lodging costs he received for days that University business was not conducted. For future travel events, personal days will be reported on the MyTravel travel expense voucher, and only expenses associated with days in which official University business occurred will be submitted for reimbursement.

**B. MyTravel Event Approvals**

**Controls for travel expenses incurred in some locations could be improved to ensure that the events are not approved by an employee who reports directly or indirectly to the Dean or SMG.**

UC BFB G-28, Section V.A, Approval of Travel Expense Voucher, states that "The Travel Expense Voucher should not be approved by a person who reports directly or indirectly to the traveler." This requirement is in place to ensure that travel expenses are reviewed by an individual that will remain objective and would feel free to question expenses without fear of retaliation.

Of the 21 travel expense vouchers that were tested, seven were approved by an employee who reported directly or indirectly to the traveler. Six of these were events for Deans.

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**Management Corrective Actions:**

1. The Controller will advise senior campus management of the need to focus on appropriate approval processes for travel transactions during regularly held fiscal officer meetings.
2. AMAS will provide UCSD Travel with a listing of the seven events that were not approved in accordance with G-28. UCSD Travel will coordinate as needed with campus administrators to ensure that all future travel events incurred by these Deans and SMGs are approved by an individual who is not subordinate to the Dean or SMG.
3. UCSD Travel will include a reminder to departments about G-28 approval requirements in their semi-annual electronic newsletter to campus departments.
4. UCSD Travel will evaluate the use of specialized data extraction and analysis software (Audit Command Language Exchange) for purposes of validating that travel transaction approvals conform to University policy.

**C. First/Business Class Airfare Justification**

**We noted three travel events that included business or first class airfare, but justification for the additional expenses was not properly documented on the travel event voucher.**

UC BFB G-28, Section V.D.2.a, requires that coach class airfare shall be used in the interest of economy. However, the policy goes on to state that business or first-class may be authorized under limited circumstances, and that these circumstances must be provided on the travel expense voucher. Situations in which business or first-class travel may be authorized are as follows:

- Business or first-class is the only service offered between two points;
- The use of coach class would be more expensive or time consuming;
- An itinerary involves overnight travel without an opportunity for normal rest before the commencement of working hours; or
- The use of business or first-class travel is necessary to reasonably accommodate a disability or medical need of a traveler.

Of the 21 SMG and Dean travel events that were reviewed in detail, six included business or first-class airfare that was paid for by the University. Of these, three did not document the circumstances to support the additional expense on the



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MyTravel report. AMAS was able to determine via business office interviews and review of additional documentation that these expenses were eligible for authorization under G-28. Nonetheless, travel preparers did not appropriately document the justification when initially submitted through the MyTravel system, in accordance with the policy.

One of the benefits of using the MyTravel system is that the system provides warnings to preparers when costs appear to be excessive or questionable, and provides an opportunity for reviewers to further document the reason for these excessive costs or questionable circumstances. These warnings are triggered by thresholds set in the system for each cost category. At the time of our review, the threshold for foreign airfare was set at \$10,000, and domestic airfare was set at \$2,500 (Attachment A). None of the 21 events that were reviewed in detailed included airfare costs that exceeded these thresholds.

**Management Corrective Actions:**

BFS-Travel will consider lowering the MyTravel system airfare threshold so that preparers will more frequently be warned to provide justification in the event that costs for airfare appear to be associated with first or business class travel.

BFS-Travel will notify department business offices via the regular electronic newsletter of situations in which business/first class is acceptable, and to include such justification when these higher cost fares are utilized on UCSD travel events

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MyTravel Risks & Thresholds

Tab	Field	Criteria	Warning(s)
Start	Select Date	Change to start/ end date results in a longer trip than was preauthorized.	The Start Date has been changed from the Preauthorized Start Date [psDate] <i>Or</i> The End Date has been changed from the Preauthorized End Date [peDate]
Air	\$ amounts: Traveler paid air, UCSD paid air	Traveler Paid greater than or equal to \$[N] & UCSD Paid equal to \$0 <i>N = \$2,500; Foreign trips N = \$10,000</i>	Airfare exceeds the amount expected for this event.
	\$ amounts: Traveler paid air, UCSD paid air	Traveler Paid greater than \$[N] & UCSD Paid not equal to \$0 <i>N = \$500; Foreign trips N = \$2,000</i>	The traveler paid when added to the UCSD paid airfare, exceeds the amount expected for this event.
	\$ amount: Personal air	Not equal to \$0	Air expenses include a non-business amount.
Ground	\$ amount: Rental car	Greater than \$100 multiplied by the number of days Confirmed on Start tab: Select date	The amount for the rental car exceeds the standard rate for the most economical rental as required by UC policy.
	\$ amount: Additional gas/ drop off charges	Greater than \$100 multiplied by the number of days confirmed on Start tab: Select date	The additional gas/drop off charges are higher than expected for the rental car expense.
	# of miles: Personal mileage	Greater than 300 (miles)	Mileage exceeds the amount expected for this event.
	\$ amount: Other	Greater than \$75	One or more ground transportation amounts will require an original receipt as it is \$75 or greater.
Hotel	\$ amount: Rate	Greater than \$250	One or more daily hotel amounts appears to be higher than what is considered to be most economical.
	\$ amount: Non-Business	Not equal to \$0	Hotel expenses include a non-business amount.

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MyTravel Risks & Thresholds

Tab	Field	Criteria	Warning(s)
Meals	\$ amount	Equal to \$71 Note: Greater than \$64 prohibited by validation requiring user to reduce amount in order to proceed: Meal expense cannot exceed \$64 per day.	The amount of \$[mealsPerDay] has been entered for one or more days. Meals and Incidental Expenses policy requires only the actual amount up to a maximum.
		All are the same amount	All Meals Amounts are equal to the same amount.
Per Diem	\$ amount: Rate meals	If user overwrites selected location rate (based on rate search result)	Meals Per Diem rate of [perDiemMIE] has been changed from the published government per diem rate of [actualPerDiemMIE].
	\$ amount: Rate lodging	If user overwrites selected location rate (based on rate search result)	Lodging Per Diem rate of [perDiemLodging] has been changed from the published government per diem rate of [actualPerDiemLodging].
	# of days: Meals	If user overwrites pre-populated # of days resulting in longer trip than confirmed at Start tab: Select date Note: Requires user to reduce # of days	Total Meals Per Diem duration [sTotalTravelDurationMIE] is greater than the actual travel duration [actualTravelDuration].
	# of days: Lodging	If user overwrites pre-populated # of days resulting in a longer trip than confirmed at Start tab: Select date Note: Requires user to reduce # of days	Total Lodging Per Diem duration [sTotalTravelDurationLodging] is greater than the actual travel duration [actualTravelDuration].
	# of days: Meals, or Lodging	If user overwrites pre-populated # of days (confirmed at Start tab: Select date) resulting in a difference between days for meals vs. days for lodging	Meals travel duration of [travelDurationMIE] days is not equal to the lodging travel duration of [travelDurationLodging] days.
	\$ amount: Exception meals	Not equal to \$0	Meals Exception to Per Diem was used.
	\$ amount: Exception lodging	Not equal to \$0	Lodging Exception to Per Diem was used.

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MyTravel Risks & Thresholds

Tab	Field	Criteria	Warning(s)
<b>Registration</b>		UCSD prepaid = \$0 & Traveler paid greater than or equal to \$750	Traveler paid registration is an unusually large amount.
	\$ amounts: UCSD prepaid, Traveler paid	Traveler Paid = \$0 & UCSD prepaid greater than or equal to \$750	UCSD paid registration is an unusually large amount.
		Combined UCSD paid + Traveler paid greater than \$750	Traveler paid when added to the UCSD paid registration, exceeds the amount expected for this event.
	\$ amount: Training	Not equal to \$0	A Training Expense exists.
	\$ amount: Non-business	Not equal to \$0	Registration expenses include a non-business amount.
<b>Other</b>	\$ amount (any)	Greater than \$75	One or more of the other expense amounts is greater than expected for this event.
<b>Summary</b>	Actual accounting distribution	User overwrites a pre-populated index and/or account.	Change in the Accounting Distribution Index / Account / Amount combination.