



Accounting and Fiscal Services
Travel and Entertainment

Internal Audit Report No. I2015-108

May 21, 2015

Prepared By

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Reviewed and Approved By

Mike Bathke, Director



INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

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**BENT NIELSEN
CONTROLLER/ASSISTANT VICE CHANCELLOR
ACCOUNTING AND FISCAL SERVICES**

**RE: Travel and Entertainment Review
Report No. I2015-108**

Internal Audit Services has completed the review of travel and entertainment and the final 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

Rick Coulon, Director – Materiel and Risk Management
Elaine Everett, Accounts Payable Manager – Medical Center Controller's Services
Karen Miller, Accounts Payable Manager – Accounting & Fiscal Services
Diana Nielsen, Travel Assistant Manager – Accounting & Fiscal Services

I. BACKGROUND

In accordance with the fiscal year 2014-2015 audit plan, Internal Audit Services (IAS) conducted a review of travel and entertainment expenses for the campus and medical center.

II. PURPOSE, SCOPE, AND OBJECTIVES

The purpose of the review was to determine whether UCI is in compliance with the appropriate University policies and procedures over travel and entertainment.

The scope of the audit included activity for fiscal year 2013-2014. IAS established the following objectives:

1. Obtain an understanding of the travel and entertainment expense and related approval processes;
2. Review UC and campus related policies and procedures relevant to travel and entertainment;
3. Evaluate whether there are adequate controls over processing of travel and entertainment expenses;
4. Review, using data analytics, travel and entertainment expenditures where the payee name matches the approver name, the payee name matches the preparer name, and the payee required exceptional approval;
5. Review, using data analytics, travel expenditures where the frequency of reimbursement by payee for mileage has been approved;
6. Review a sample of travel expense vouchers to determine whether travel policies and procedures are being followed; and
7. Review a sample of entertainment expenses to determine whether entertainment policies and procedures are being followed.

During the data analytics portion of the review, IAS noted some unauthorized supply and material purchases so a sample of these type of reimbursements were included in the scope of the review.

III. CONCLUSION

In general, the selected travel and entertainment expenses and related processes reviewed appear to be functioning as intended. IAS did not find exceptions to specific criteria: the payee and approver is the same person, the payee and preparer is the same person, and the payee received exceptional approval. However, business risks and control concerns were identified relating to various reimbursement practices as well as reimbursements of supply and material purchases in excess of \$500.

IV. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Travel & Entertainment Reimbursements

Observation

The following is a summary of the observations.

- **Expenditure Certification:** Employees certifying the propriety of event expenditures were not always the official event host and did not always appear on the event's list of attendees.
- **Expenditure Approval:** Some expenses were not properly approved. IAS noted instances when employees approved their own expenses or had a subordinate approve their reimbursement.
- **Support Documentation:** Documentation submitted in support of reimbursement requests did not always provide sufficient evidence of the business purpose.

- **Use of Connexus:** The majority of the travel reimbursements reviewed lacked the use of Connexus and/or appropriate reasoning/support for not using the system.
- **Overpayments:** An overpayment occurred when an employee received two reimbursements totaling \$1,126 for the same transaction.

Lack of approvals and appropriate documentation for, and proper review of reimbursements increases the risk of duplicate payments, improper costs, or unauthorized use of University funds.

Management Action Plan

Since the control activities related to the issues noted above exist in the department/units, Accounting and Fiscal Services (A&FS) management will emphasize these items during their monthly Travel and Event Module (TEM) training and/or through other appropriate means such as a mass communication/email. In addition, A&FS management will continue to work with departments/units in providing guidance on how to bring their expenditures practices into compliance with University policy.

Some of the risks related to expenditure approvals have been addressed with the implementation of Kuali Financial System (KFS), which has an electronic expenditure approval routing workflow that will not allow employees (or their subordinates) to approve their own expenditures.

IAS will follow-up on the implementation of the management action plan by September 30, 2015.

2. Reimbursement for Unauthorized Purchases

Background

An unauthorized purchase is a purchase, or intent to purchase, by an individual who lacks a purchasing delegation of authority. An individual who makes an unauthorized purchase of goods or services may be personally responsible for payment of the charges incurred. For unneeded items or items whose purchase would not otherwise be authorized, the unauthorized

individual may be required to pay either the full amount or the amount of any cancellation charges incurred when a cancellation can be arranged.

For the unauthorized purchase of needed and proper items that would otherwise be purchased by the department, the department head or designee may approve a reimbursement of up to \$500 on condition that the purchase complies with University purchasing policies. The unauthorized individual may be required to pay any difference between the charges incurred and those the University would reasonably expect to have incurred. For unauthorized purchases over \$500, the approval of the Director, Purchasing and Risk Services (P&RS) or the Purchasing Manager is required prior to reimbursement. Purchases of this kind are considered exceptions to policy and should be discouraged.

Observations

For fiscal year 2013-2014, IAS noted that there were 267 individuals, who lacked purchasing authority, which made supply and material purchases over \$500 that required exceptional approval by P&RS. IAS reviewed 36 transactions from eight individuals who had repeat purchases of this kind. Based on the review, there were 15 transactions (42 percent) that did not get the exceptional approval by the P&RS Director, or Purchasing Manager prior to reimbursement as required by University policy.

Management Action Plan

Since the control activities related to the issues noted primarily exist in the department/units, P&RS and A&FS will emphasize these items during their training and/or through other appropriate means such as a mass communication/email. In addition, P&RS and A&FS will continue to work with departments/units in providing guidance on how to bring their expenditure practices into compliance with University policy.

A&FS's current procedure is to review all reimbursement requests for supplies purchases (based upon reason code) over \$500. Any reimbursements lacking the required P&RS approval are "ad-hoc" routed to P&RS. The Purchasing Director or Manager will then determine if any such reimbursements should be rejected as set forth in UCI Policy 707-10 G (1-6).

IAS will follow-up on the implementation of the management action plan by September 30, 2015.