

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT & MANAGEMENT ADVISORY SERVICES**

**Senior Manager Group Travel and Entertainment
Audit & Management Advisory Services Project # 17-65**

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MANAGEMENT SUMMARY

Background

The Senior Management Group (SMG) consists of employees whose career appointments are in the Senior Management Group personnel program. At University of California, Davis (UC Davis), SMG members provide leadership requiring the exercise of a high degree of independent judgement; develop University wide policies and program implementation; and are accountable for long-term results.

Purpose and Scope

At the direction of the University of California Office of the President (UCOP), Audit and Management Advisory Services (AMAS) conducted a review of SMG travel and entertainment expenses. The purpose of the review was to determine if SMG travel and entertainment expenses complied with UCOP and UC Davis travel and entertainment policies.

The scope of our review included travel and entertainment claims paid from January 1 through December 31, 2016 for the sixteen (16) SMG members identified as of December 31, 2016. The travel and entertainment claims paid during the calendar year 2016 for the SMG members totaled \$224,117.34, in 445 claims.

Many SMG members held interim appointments at December 31, 2016. The Interim Chancellor's travel and entertainment claims were treated as follows: (1) for the period during which he was Provost (January 1 through April 26, 2016), his claims were included within the scope of this review; (2) for the period during which he was Interim Chancellor (April 27, 2016 through December 31, 2016), his claims were included within the scope of AMAS project #17-58, *Chancellor's Expenses: G-45*. For all other interim SMG members, only claims paid during the time period which the employee held an interim SMG position were included within the scope of the review.

To conduct our review, AMAS obtained the 16 SMG members paid travel and entertainment claims from MyTravel and AggieTravel for the period under review¹, totaling 438 claims and 7 claims in each system, respectively². For MyTravel claims, 10% of each SMG member's total claims were selected for review, totaling 39 claims. For AggieTravel claims, one claim for each of the four (4) SMG members who had submitted claims in AggieTravel were selected for review, totaling 4 claims. Each travel and entertainment claim was reviewed for compliance with UCOP and UC Davis policies. Finally, follow up was conducted with UC Davis Campus and Health Accounts Payable Managers and the Senior Management Group Administrator regarding any inquiries and clarification necessary.

¹ Not all 16 SMGs had travel and entertainment expenses in AggieTravel.

² Any \$0 claims and refunds/credits to UC Davis were excluded.

Conclusion

Based on our audit, we concluded that SMG travel and entertainment claims generally comply with applicable travel and entertainment policies. Our audit discovered that although UC Davis appropriately paid for \$11,882 in temporary housing for one SMG in accordance with policy and approved recruiting package, the payment was accidentally excluded from the SMG's W-2.

Other relatively minor discrepancies were identified. They point to the need for additional training, along with careful preparation and review of travel and entertainment claims for accuracy and compliance with applicable policies. Furthermore, we identified opportunities to document both delegations of authorities and appointments of high-level staff members who review and approve individual travel and entertainment expense claims.

Our observations and recommendations are presented in the body of this report along with corresponding management corrective actions.

I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS

- A. In compliance with policy and an approved recruiting package, UC Davis properly paid \$11,882 for the temporary housing expenses of an SMG member; however, this payment was inadvertently omitted from taxable income on his W-2.**

Accounting Manual D-371-12-1, *Disbursements: Accounting for and tax reporting of payments made through the vendor system*, states temporary housing provided after obtaining employment is not deductible, and is deemed taxable income.

Based on an approved recruitment package, an SMG member's temporary housing cost of \$11,882 for stays between 11/29/2014 -12/22/2014 and 1/3/2014 - 2/24/2015 were paid for by the University. The University paid directly for the housing costs by charging the CTS credit card in lieu of reimbursing the SMG member. The process prior to implementation of AggieTravel in January 2017 manually isolated taxable income based on reimbursements to employees; as a result, this payment was overlooked as being taxable and \$11,882 was omitted from the SMG member's W-2³.

Recommendations

- a. The A&FS Tax Division should issue a corrected wage and tax statement (IRS form W-2c) to the SMG member for the \$11,882 in taxable income inadvertently omitted from their original W-2.

Management Corrective Actions

1. A corrected wage and tax statement, which included the \$11,882 in taxable income for the temporary housing costs paid by the University, was issued to the SMG by the A&FS Tax Division on April 28, 2017. No further actions are necessary.

- B. Travel and entertainment expense claims reviewed identified opportunities for improving travel/entertainment documentation, and the need for additional training.**

Our review of travel and entertainment claims found that SMGs and those responsible for travel preparation, review, and approval of the claims were not always knowledgeable of and/or compliant with travel policies. We identified two instances where repayment was required, for a total of \$44. Based on the issues identified, it appears that SMG members, along with travel preparers, reviewers, and approvers, could benefit from specific training regarding University travel policies. Detailed findings and recommendations are provided in the matrix below, followed by a summary of our recommendations.

³ The new process for tax reporting of Relocations and House Hunting in AggieTravel is consistent regardless of the payment method (CTS credit card or directly reimbursing the SMG member).

#	UCOP Policy G-28 Requirements	Issue Identified	Recommendation
1	G-28, V.I.2.a. states “any personal expenses incurred in a trip will not be reimbursed by the University.”	Based on documentation submitted, one traveler deemed a \$24.92 tax cost as a personal expense. Inadvertently, the tax cost was not identified as personal expense on the travel claim. Therefore, the traveler was reimbursed for personal expenses.	<ul style="list-style-type: none"> a. Training should remind travelers of the importance of identifying all personal expenses on the travel claim. b. No further action is necessary, as repayment has been received by UC Davis for the personal costs of the taxi.
2	G-28, Section III. D states “...it is the traveler's responsibility to report his or her actual travel expenses.”	One traveler had inadvertently submitted an expense report with two (2) taxi rides of \$18.96 when only one such taxi ride occurred.	<ul style="list-style-type: none"> a. Training should address the importance of reviewing all travel and entertainment claims for actual expenses incurred. b. No further action is necessary, as repayment has been received by UC Davis for the inadvertent personal cost of the noted trip.
3	G-28 V.C.1.a addresses insurance coverage for travelers. When Connexus is used to book out of state travel, the insurance coverage is automatically provided. If Connexus is not used, the traveler must register their travel with Risk Services ¹⁰ by completing the Traveler Insurance form to ensure coverage.	Six (6) out of eight (8) out-of-state travelers did not register with Risk Services nor book their travel through Connexus. Therefore, their travel was not covered by the University’s insurance.	<ul style="list-style-type: none"> a. Travel training should emphasize the need and various methods to obtain proper travel insurance coverage. b. Given the number of SMG’s who did not register their out-of-state travel with Risk Services and obtain insurance coverage, A&FS should consider issuing a directive to clarify insurance requirements to the campus at large as this may be a campus wide problem.
4	While G-28, V.B.4 states “University travelers normally shall not be reimbursed for expenses paid on behalf of other persons...,” appropriate approval for this exception may be granted by authorized exception approvers.	<p>One SMG member traveled to a conference with a total of eight (8) travelers, including themselves. The SMG paid for the conference registration of six (6) travelers; and flights for three (3) travelers (this included the traveler).</p> <p>Since the traveler did not pay for all attendees, this travel claim is not deemed Group Travel, and an exception is required. However, no exception was obtained at the time of the review.</p>	<ul style="list-style-type: none"> a. Training should be provided to all travel preparers, reviewers, and SMGs that exception approval is required anytime expenses are paid on behalf of other persons when it is not deemed Group Travel. b. Verified appropriate exception approval was obtained and documented in MyTravel for the claim.

5	G-28, Section V.I.2.a, states that, "The purpose for the travel or the nature of the business benefit derived as a result of the travel must be documented."	Out of the seven (7) travel claims that utilized taxis/shuttles, only three (3) identified the business purpose of the taxi/shuttles. We were subsequently able to obtain appropriate explanations from the travelers as part of our audit procedures.	<ul style="list-style-type: none"> a. Travel training should emphasize the need to provide an explanation of the business purpose for the use of taxis/shuttles. Imaging important documents that support the business, such as agendas or updated itineraries, should also be addressed. b. Four (4) travel claims were updated to include explanations from travelers regarding the business purpose of the taxis/shuttles.
6	G-28, Section V.E.5 states "In a limited number of California cities and counties, University employees travelling on official business are granted an exemption from the payment of occupancy taxes imposed by these cities or counties on the transient rental of rooms...Travelers should identify themselves as University employees and claim exemption from the [transient occupancy] tax when checking in."	One traveler had overnight lodging in a city that offers transient occupancy tax exemption, however, the traveler did not identify themselves as a University employee and claim the tax exemption. Although not required by policy, opportunity exists for cost savings to the Traveler's Department and the University.	Travel training should emphasize the transient occupancy tax exemption allowed for certain cities and counties.

Recommendations

- a. The A&FS Travel and Entertainment Division should conduct training for SMG members and the staff members involved in the preparation, review, and approval of their travel claims. The training should provide an overview of University travel policies, and specifically address the issues noted in the table above. Participation in the training should be strongly encouraged.

Management Corrective Actions

- 1. A&FS will make training available, either in person or on-line, for SMG members and personnel who prepare, review, and approve their travel claims that provides an overview of University travel policies by October 31, 2017.
- 2. A&FS will address the specific findings of the audit during the in person training or via a memo to the SMG members and personnel who prepare, review, and approve their travel claims by October 31, 2017.

3. A&FS will communicate the availability of the trainings with SMG members and personnel who prepare, review, and approve their travel claims. The Campus Controller will request that the Chancellor's and/or Provost's Office endorse the training to encourage participation. The communication will be sent by November 30, 2017.

C. Opportunity exists to document delegations of authority granted by (1) the Vice Chancellor of Human Health Sciences/Dean of School of Medicine; and (2) the appointment of high-level staff members that review and approve individual travel and entertainment claims on behalf of the Associate Chancellor and Associate Executive Vice Chancellor. Additionally, the process developed for the Associate Chancellor and Associate Executive Vice to periodically review travel and entertainment claims of direct reports needs to be reinstated.

Our review of the travel and entertainment claims submitted by the UC Davis Health Interim Chief Information Officer (CIO) found that the claims were not approved by the direct manager, Vice Chancellor of Human Health Sciences/Dean of School of Medicine (VC HHS/Dean of SOM). Instead, the claim was reviewed and approved by the UC Davis Health Chief Financial Officer (CFO). Per further discussions with UC Davis Health management, a delegation of authority was initially documented for the CFO to approve the CIO's travel and entertainment claims, although one could not currently be found. Adequate documentation was provided as evidence that the VC HHS/Dean of SOM was knowledgeable of the delegation of authority given to the CFO to review and approve travel and entertainment claims submitted by the CIO. Therefore, the approval by the CFO is deemed appropriate.

For positions reporting to the Chancellor and Provost, the approval of travel and entertainment expense claims is officially delegated to the Associate Chancellor and Assistant Executive Vice Chancellor, respectively. Per UCOP Policy G-28, *Travel Regulations*, delegates may appoint a high-level individual knowledgeable about the travel and entertainment regulations to review and approve each individual expense claim on their behalf within the travel and entertainment system. Currently, the Executive Officer and Financial Services Manager within the Offices of Chancellor & Provost (OCP) serve as the high-level reviewers/approvers. However, there is no documentation of the delegation of these responsibilities by the Associate Chancellor and Assistant Executive Vice Chancellor.

Additionally, UCOP Policy G-28 IV. Compliance/Responsibilities requires the Associate Chancellor and Assistant Executive Vice Chancellor to review and sign a periodic report, no less than monthly, that details the business purpose of each travel and entertainment claim for their direct reports. Due to the conversion from MyTravel to AggieTravel, the review was placed on hold until a report was developed within AggieTravel. A draft report has been developed and distributed to the Associate Chancellor and Assistant Executive Vice Chancellor in June 2017.

Recommendations

- a. The Interim Vice Chancellor of Human Health Services and School of Medicine Dean should document delegation of authority given to the CFO for review of travel and entertainment claims submitted by the CIO.
- b. It is recommended that the Associate Chancellor and Assistant Executive Vice Chancellor document the appointment of the high-level individual(s) who can review and approve travel and entertainment claims for positions reporting to the Chancellor and Provost respectively.
- c. Accounting and Financial Services in collaboration with the Office of the Chancellor and Provost (OCP) Business and Technology Services should reinstate the process to review all travel and entertainment claims for their direct reports on a monthly basis, and finalize a report that details the business purpose of each travel and entertainment claim.
- d. OCP Business and Technology Services should ensure travel and entertainment claims for the direct reports of the Associate Chancellor and Assistant Executive Chancellor are reviewed from July 2016 through June 2017.

Management Corrective Actions

1. The Interim Vice Chancellor of Human Health Services and Interim School of Medicine Dean document delegation of authority granted to the CFO to review and approve travel and entertainment claims submitted by the CIO on June 19, 2017. No further actions are necessary.
2. The Associate Chancellor and Assistant Executive Vice Chancellor will document the appointment of the Executive Officer and Financial Services Manager as high-level individuals who can review and approve travel and entertainment claims for positions reporting to the Chancellor and Provost respectively by June 23, 2017.
3. By August 31 2017, Accounting and Financial Services and OCP Business and Technology Services will reinstate the travel and entertainment reporting, which was put on hold due to the system conversion from MyTravel to AggieTravel. The report, which will include the business purpose of each travel and entertainment claim, will be provided monthly to the Associate Chancellor and Assistant Executive Vice Chancellor for review and approval.
4. By August 31, 2017, OCP Business and Technology Services will ensure the Associate Chancellor and Assistant Executive Vice Chancellor review the travel and entertainment claims for their direct reports from July 2016 through June 2017 related to the reinstated travel and entertainment reporting.
