



AUDIT AND ADVISORY SERVICES  
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July 15, 2019

To: Jim Corkill, Controller and Director  
Steve Kriz, Accounts Payable Manager  
Business and Financial Services

Re: **Travel**  
**Audit Report No. 08-19-0013**

We have completed an audit of Travel as part of the 2018-19 annual audit services plan. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by personnel in Business and Financial Services and Enterprise Technology Services. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ashley Andersen".

Ashley Andersen  
Director  
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang  
Assistant Chancellor for Finance and Resource Management Chuck Haines  
UCSB Audit Committee  
Senior Vice President and Chief Compliance and Audit Officer Alexander Bustamante

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## UCSB Audit and Advisory Services

### Internal Audit Report

### **Travel**

July 15, 2019

**Performed by:**

Antonio Mañas-Melendez, Associate Director  
Irene Camargo, Senior Auditor  
Karen Quintana, Staff Auditor

**Approved by:**

Ashley Andersen, Audit Director

Report No. 08-19-0013

## **EXECUTIVE SUMMARY**

### **OBJECTIVE**

The purpose of our review was to assess whether current business practices and internal controls are in place and whether the University of California, Santa Barbara (UCSB) travel reimbursement process is in compliance with appropriate University policies and procedures over travel and entertainment. The objectives of this audit included:

- Obtain a detailed understanding of significant processes and practices employed in the implementation of the local travel program.
- Determine local compliance with University of California (UC) travel policies & procedures.
- Determine the efficiency of internal controls in selected areas.
- Determine whether information systems are adequate to support travel processes.

### **CONCLUSION**

Based on the results of the work performed within the scope of the audit, we found the selected travel transactions and related processes reviewed appear to be functioning as intended. Travel and Entertainment has established overall effective internal controls related to support documentation, travel authorization, and transactional data. However, our work identified a need to simplify the current travel reimbursement process, to provide additional training manuals and guidelines, to track financial information, and to ensure compliance with insurance and corporate card requirements.

A more user-friendly application could reduce time, effort, and administrative costs associated with processing travel reimbursements.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. EFFECTIVENESS AND EFFECIENCES

#### OBSERVATION

We analyzed the time required by departments and Travel and Entertainment personnel in processing travel reimbursement transactions. The timeline evaluation included travel reimbursement transactions between May 2014 to January 2019 and the purpose was to identify the cause of delays and bottlenecks in the travel reimbursement process.

Our work found that 25% of travel vouchers submitted to Travel and Entertainment exceeded 45 days from the return of the trip. Business Financial Services (BFS) requires departments to submit travel vouchers in less than 45 days from the return of the trip.

A more detail analysis highlighted that:

- Travel coordinators (or travelers) take 29 days on average to submit a travel reimbursement for departmental approval, the median being 17 days.
- Department approvers take six days on average to approve a travel reimbursement, the median being two days.
- Travel and Entertainment takes 14 days to process a travel reimbursement, the median being 10 days. This includes iterations between departments and Travel and Entertainment Services after the first approval.

Table 1	Travel Survey
<b>Department Staff Responses *</b>	
59% think they have adequate training to prepare and process travel expense reimbursements, but 76% would appreciate the possibility of having additional training available. Comments suggest travelers do not have adequate training.	
66% do not have a procedural manual to process travel reimbursements. Comments suggests a campus wide manual would help in case of department personnel turnover.	
79% complete a travel reimbursement in less than one hour.	
79% process less than 20 travel reimbursement per month.	
59% Do not use the object code 2902 (foreign travel) when the destination is a foreign country.	

Source: Auditor Analysis.

\*: Travelers were not included in the survey.

In addition, we conducted a survey to obtain input from stakeholders on the travel reimbursement process. Table 1 summarizes survey questions. Open question responses by department staff included challenges and opportunities for efficiency, including the following:

- Difficulty in completing travel reimbursements within 45 days of return of trip is due to the traveler not providing the necessary documentation/receipts to substantiate travel transactions in a timely manner.
- A need to develop a campus wide travel reimbursement procedural manual and standard training for both travelers and travel coordinators.
- Improve communication between Travel and Entertainment and the departments to guarantee departments are informed of policy changes and new requirements.
- Simplify the travel reimbursement process. One alternative would be acquiring a more user-friendly travel application to allow the traveler to scan and upload documents and receipts during travel into the system and accept electronic signatures.

Business and Financial Services has been demoing software to replace the online travel system (WebTEV). It could be beneficial for Business and Financial Services to define a timeline to evaluate an electronic travel system to improve processing of travel reimbursements. Some functionalities could be to support mobile and web uploads to allow the traveler to upload documents and receipts into the system.

### **RECOMMENDATION**

We recommend that Travel and Entertainment:

- Review and evaluate survey results and discuss with the campus stakeholders what types of training and material would better assist the campus with processing travel reimbursements.
- Develop a training plan to provide to the campus community, including travelers and staff personnel.
- Document a campus wide travel reimbursement procedural manual. Update manual with the most recent policy and travel requirements. Evaluate if other types of communications, such as newsletters, could be beneficial to keep campus community informed of policy changes.
- Evaluate whether a more technically advanced system could reduce time, effort, and administrative costs associated with processing travel reimbursements.

### **MANAGEMENT RESPONSE**

Travel and Entertainment will:

- Review and evaluate survey results and discuss with the campus stakeholders what types of training and material would better assist the campus with processing travel reimbursements.
- Develop a training plan to provide to the campus community, including travelers and staff personnel.

- Document a campus wide travel reimbursement procedural manual. Update manual with the most recent policy and travel requirements. Evaluate if other types of communications, such as newsletters, could be beneficial to keep campus community informed of policy changes.

There is a campus committee currently evaluating possible T&E systems that would increase efficiencies and decrease administrative costs associated with processing travel reimbursements.

Expected completion date: October 31, 2019.

## **2. INTERNAL CONTROLS OVER PROCESSING TRAVEL EXPENSES**

### **OBSERVATION**

We performed a limited review of internal controls for the travel reimbursement process associated with support documentation, workflow and authorization, duplicate payments, and travel advances. We found opportunities to update the tracking of advances to be consistent with sound accounting practices.

#### *Documentation Supporting Travel Expenses*

Our review of ten travel vouchers found overall adequate support documentation to justify reimbursement of expenses for transportation, meals, incidentals, and lodging.

We found travel expense vouchers included dates of departure and return, origin and destination of trip and route taken, purpose for travel, and categorized accumulated expenses. Although the purpose of the trip reviewed in our selected sample were related to University business, we noted in three cases there was no adequate documentation to support the business purpose. The business purpose of a University traveler may include documentation of activities that contribute to teaching, research, public service, or other substantiated University business activity.

#### *Workflow and Authorization*

We found the workflow process and authorization of travel reimbursements to be adequate. However, the system does not have controls to limit the individual from approving their own travel reimbursement and Travel and Entertainment personnel do not know all approvers per department.

We compared personnel who authorized travel reimbursements to staff identified on the travel system approvers list. We found 1,824 travel vouchers were approved by 32 department approvers who were no longer on the current travel system approver list. A detailed verification of five<sup>1</sup> of these 32 department approvers, found they were authorized to approve at the time.

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<sup>1</sup> They approved 62% of the 1,824 travel expense vouchers.

### *Duplicate Expense Payments*

We found no duplicate expense payments. We identified 371 travel expense payments<sup>2</sup> for 12,112 travel vouchers during fiscal year 2017-18 with the same data in the fields account, fund, sub, expenditure, and description. We reviewed 32 potential duplicate payments for nine travelers and found no duplicates. All nine recipients received per diem payments for long-term travel.

### *Travel Advances*

We found 174 travel advance requests prepared in fiscal year 2016-17<sup>3</sup> without an associated travel expense voucher. When initiating a travel advance, the Web Travel Voucher System (WebTEV)<sup>4</sup> automatically generates a travel voucher linked with the advance to complete upon return of the trip. However, there is no mechanism in the WebTEV system that requires the completion of the linked travel voucher associated with the advance to settle the trip. For example, a new travel voucher could be created without linking to the initial advance. This makes it challenging to track whether an advance was properly processed.

We selected a sample of 11 travel advances that were not linked with a travel voucher. We reviewed, by traveler, whether these advances were processed in another travel voucher. We were only able to verify two advances that were processed using a new travel voucher. We were informed by Travel and Entertainment that eight of the 11 advances reviewed were incorrectly used to create a TripID for direct bills. In those eight cases, the advances were cleared.

The Travel and Entertainment website provides guidance for travel advances stating the traveler must account for the total amount of all expenses and advances by submitting a travel voucher at completion of the trip, even if the traveler is not owed any additional reimbursement.

Travel and Entertainment has a process to review advances but they do not have in place a process to track advances consistent with sound accounting practices. For example, advances are not being recorded in a balance sheet account until the travel expense voucher is submitted and then recorded as an expense.

## **RECOMMENDATION**

We recommend Travel and Entertainment develop a plan to:

- Ensure travelers have clear guidance regarding requirements to:
  - Provide adequate supporting documentation.
  - Process travel advances.

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<sup>2</sup> Source: UCSB Data Warehouse.

<sup>3</sup> Some travels last more than one year. In order to guarantee travel has been finalized, we selected advances created in 2016 and 2017.

<sup>4</sup> WebTEV is an online travel reimbursement portal.

- Create a process to track advances consistent with sound accounting practices. Evaluate creating additional reports to help departments to keep track of open advance requests.

### **MANAGEMENT RESPONSE**

Travel and Entertainment will:

- Ensure travelers have clear guidance regarding:
  - Required supporting documentation
  - Processing travel advances
- Create a process to track advances consistent with sound accounting practices. Evaluate creating additional reports to help departments to keep track of open advance requests.

Expected completion date: October 31, 2019.

## **3. OTHER ISSUES**

### **OBSERVATION**

#### *Insurance*

Travel & Entertainment does not enforce travelers to sign up for traveler insurance coverage. UC Policy G-28 requires travelers to register for travel insurance when traveling out-of-state and internationally, in order to receive the full insurance services and protections. Registration is not required for travel within California as coverage is automatic. However, travelers are encouraged to always sign up for traveler insurance coverage.

We were informed that if employees book their travel through Connexus<sup>5</sup>, the traveler is automatically registered for travel insurance coverage. Travelers who do not use Connexus to book their travel have to go to UC Trip Insurance<sup>6</sup> to register their travel plans; however, this is not enforced or tracked.

#### *Corporate Cards*

Travel & Entertainment does not enforce the use of the U.S. Bank Visa Corporate Card for travel and entertainment business-related expenses only. The U.S. Bank Visa Corporate Card is a university-sponsored card issued to UCSB employees who travel or entertain on behalf of the university.

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<sup>5</sup> Connexus: A secure Web portal for booking University business travel which automatically applies UC negotiated rates.

<sup>6</sup> UC Travel Insurance: UC has arranged for employees and students traveling on official university business to be covered for a wide variety of accidents and incidents while away from campus or primary workplace.

The initial UCSB Travel and Entertainment Card application did not explicitly require the card to be used for business-related expenses only. The application form was revised and now requires the applicant to understand and agree that the university credit card is to be used for travel and entertainment business-related expenses only. However, as mentioned Travel and Entertainment is not enforcing this requirement.

### **RECOMMENDATION**

We recommend Travel and Entertainment develop a plan to:

- Implement additional controls to enforce registration for travel insurance.
- Evaluate alternatives to limit the use of the U.S. Bank Visa Corporate Card for business-related expenses only.

### **MANAGEMENT RESPONSE**

Travel and Entertainment will:

- Implement additional controls to enforce registration for travel insurance.
- Evaluate alternatives to limit the use of the U.S. Bank Visa Corporate Card for business-related expenses only.

Expected completion date: October 31, 2019.

## GENERAL INFORMATION

### BACKGROUND

#### *Business and Financial Services<sup>7</sup>*

UCSB Business and Financial Services is an integral campus and community partner. Units within Business and Financial Services include Accounts Payable, Billing, Accounts Receivable, Collections, Equipment Management, Extramural Funds, General Accounting, Payroll, Travel and Entertainment, and Procurement Services.

Travel and Entertainment is a unit responsible for reviewing and approving travel transactions. Travel reimbursements are generated online using the online WebTEV. The travel reimbursement process also includes completing and forwarding to Travel and Entertainment, a physical copy of the on-line reimbursement form with supporting documentation attached.

Each department, or its Administrative Support Center, designates one or more people as travel coordinator(s). The travel coordinator is responsible for disseminating information regarding the travel program to all departmental travelers and travel arrangers, as well as troubleshooting travel related issues on behalf of the department. Once the travel voucher is created, reviewed, and approved by the department, the travel transaction is reviewed and approved by Travel and Entertainment.

Travel advances are payments to the traveler before the trip takes place. UCSB has programs in place to minimize out-of-pocket expenses for university travelers with a U.S. Bank Visa Corporate Credit Card for travel advances and travel expenses, airfare purchased through Connexus, and direct bill payment to the vendor. Travelers are strongly encouraged to use these programs to reduce department and administrative costs associated with administering cash advances.

A request for a cash advance is made through the online travel system WebTEV. WebTEV advances can also be used to reimburse a traveler to cover charges posted on their personal credit card in advance of a trip. When an advance is used to pay off charges, said charges must be entered on the appropriate travel voucher. As part of the advance request process, advances should be entered on the linked sequential WebTEV. The traveler must account for all expenses and advances by submitting a travel voucher upon completion of the trip even if he or she is not owed any additional reimbursement.

#### *UC Policy G-28 Travel Regulations*

It is the policy of the University that all official UC business travel shall be properly authorized, reported, and reimbursed. Under no circumstance shall expenses for personal travel be charged to, or be temporarily funded by, the University. All travel reimbursement requests must be certified by the traveler.

A travel expense claim shall be used to account for all travel advances and expenses incurred in connection with official University travel. When properly completed and approved, this form is used to reimburse the traveler for any additional amounts due. A travel expense claim must be processed even if no reimbursement is due the traveler. The travel expense claim must be

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<sup>7</sup> Business and Financial Services/Procurement Services website.

submitted to the disbursements/travel accounting office within a reasonable amount of time not to exceed 45 days after the end of a trip unless there is recurrent local travel, in which case claims may be aggregated and submitted monthly.

Substantiation of expenses must include the following: the date and time of departure from and return to the traveler's headquarters or residence, the origin and destination of the trip and the route taken, the purpose for the travel or the nature of the business benefit derived as a result of the travel, and the amount of each expense listed by date and location.

The original of the following receipts must be submitted with the travel expense claim: receipts for all airline expenses, receipts for all lodging expenses incurred for domestic travel, except where per diems are authorized for lodging expenses, and receipts that support the reimbursement claim for long-term foreign lodging that is charged to a federal fund source.

Receipts must also be submitted for all rental car expenses, meal expenses of \$75 or more, local transportation costing \$75 or more, miscellaneous expenses of \$75 or more, private aircraft landing and parking expenses, all extraordinary items, such as repair of accidental car damage, supported by appropriate justification, gifts provided to a host costing \$25 or more, an agenda, itemized receipt, or other supporting documentation for all registration fees, and any reimbursable item not specified above costing \$75 or more.

## **SCOPE**

The scope of this audit includes current business practices and internal controls in place to support the provision and reimbursement of business-related travels for campus personnel, during May 2014 to January 2019. Our audit and evaluation included audit tests we developed from our risk assessment. The evaluation was limited to review travel expense vouchers, travel advance requests, potential duplicate payments, travel insurance, credit card use, and ensuring that personnel are authorized to approve travel reimbursements.

Specifically, we:

- Researched and reviewed relevant UC and UCSB audits and reports related to travel.
- Researched and reviewed UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit.
- Conducted interviews with personnel in Travel and Entertainment to gain an understanding of department's processes, policies, and procedures for administering travel reimbursements.
- Performed a risk analysis that considered travel efficiencies, completion of travel transactions, authorized personnel to approve travel expense vouchers, travel advance vouchers, and potential duplicate payments.
- Evaluated Travel and Entertainment business practices to determine whether they incorporate adequate internal controls and reviewed for opportunities to enhance operational efficiency.
- Evaluated the timeline to process travel transactions from creating the travel expense

voucher, department approval to Travel and Entertainment approval, to accounting processing the reimbursement payment to traveler.

- Developed an on-line travel survey that addressed training, timeliness in completing travel transactions, and procedures. Survey questions were oriented to identify opportunities for improvement in business practices related to travel transactions.
- Tested a sample of travel transactions to determine, if applicable, travel expense vouchers include the following support documentation:
  - Purpose and destination of the trip
  - Conference agendas and registration fees
  - Meals, lodging, rental car, parking, and incidental expenses
  - Airline economy tickets
  - Advance referenced on travel expense vouchers
- Tested internal control procedures for travel reimbursements to determine whether:
  - Travel system authorized approvers list is current.
  - Travel advances were linked to a sequential travel expense voucher.
  - Duplicate payments occurred and were corrected if necessary.

## CRITERIA

Our audit was based upon standards as set forth in the UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- University of California Policy G-28, *Travel Regulations* (UC Policy G-28).
- University of California Policy BFB-BUS-43, *Purchases of Goods and Services; Supply Chain Management* (UC Policy BFB-BUS-43).
- University of California Policy BFB-BUS-79, *Expenditures for Business Meetings, Entertainment, and Other Occasions* (UC Policy BFB-BUS-79).
- University of California Policy BFB-BUS-63, *Insurance Requirements and Certificates of Insurance* (UC Policy BFB-BUS-63).
- University of California Business and Finance Bulletin BUS-81, *Insurance Programs* (UC Policy BFB-BUS-81).

## AUDIT TEAM

Ashley Andersen, Audit Director  
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Irene Camargo, Senior Auditor  
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