

**UNIVERSITY OF CALIFORNIA, IRVINE
ADMINISTRATIVE AND BUSINESS SERVICES
INTERNAL AUDIT SERVICES**

**TRAVEL AND ENTERTAINMENT
Report No. I2013-101**

February 12, 2013

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February 12, 2013

**BENT NIELSEN
INTERIM CONTROLLER/ASSISTANT VICE CHANCELLOR
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**RE: Systemwide Travel and Entertainment Review
Report No. I2013-101**

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
Interim Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Karen Miller, Accounts Payable Manager
Diana Nielsen, PayQuest Supervisor

SYSTEMWIDE TRAVEL AND ENTERTAINMENT REVIEW
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I. BACKGROUND

University of California, Irvine (UCI) Internal Audit Services (IAS) conducted a review of travel and entertainment expenses at the request of the University of California Office of the President (UCOP). This review was performed at all UC campuses using a standard systemwide audit program that was developed by UCOP.

II. PURPOSE, SCOPE AND OBJECTIVES

The purpose of the review was to determine whether UCI implementing procedures are in compliance with the appropriate UC policies over travel and entertainment, as follows:

- UCI has implemented procedures that ensure compliance with UC policies over travel and entertainment;
- Existing procedures and practices were followed in monitoring, reviewing and approving travel and entertainment expenses for senior officials, other employees and selected departments reviewed, provide reasonable assurance of compliance with UC policies and costs incurred are for a business purpose and UC benefit; and
- Travel and entertainment expenses reviewed were supported by records consistent with UC policies and in a manner that demonstrated costs were incurred when conducting University business.

The scope of the audit included activity for fiscal year 2011-2012 and included:

- A review of a sample of travel and entertainment expenses for Senior Management Group (SMG) members and Deans that exceeded \$5,000 for the fiscal year in travel and entertainment expenses combined. IAS selected a sample of travel and entertainment expenses from each individual in that group for audit testing; and
- A review of systems, procedures and practices for the five departments with the greatest travel and entertainment costs.

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;

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3. Evaluate whether there are adequate controls over processing of travel and entertainment expenses;
4. Review a sample of travel expense vouchers and travel advances to determine whether travel policies and procedures are being followed; and
5. Review a sample of entertainment expenses to determine whether entertainment policies and procedures are being followed.

III. CONCLUSION

In general, the selected travel and entertainment expenses and related processes reviewed appear to be functioning as intended. However, business risks and control concerns were identified relating to lack of pre-authorization for travel, usage of car services in lieu of more economical means, and various PayQuest travel/entertainment reimbursement practices.

These details are presented below.

IV. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Travel Expenditures

A. Lack of authorization prior to travel

Background

Official University travel must be properly authorized, reported, and reimbursed in accordance with UC Business and Finance Bulletin G-28, Policy and Regulations Governing Travel. Furthermore, UCI travel policy is more restrictive than the University regulations contained in G-28. UCI Policy Section 715-01: Travel Authorization and Approval states that “Authorization is to be obtained prior to undertaking official University travel.”

Observation

An adequate mechanism is not in place to properly authorize travel. Twenty-four of 27 vouchers reviewed (89 percent) did not have documentation indicating pre-authorization of travel. In addition, through discussions with campus departments, it appears that the practice of requesting permission to travel is rare, in particular with academic personnel.

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Travelers who fail to obtain prior authorization may be personally liable for the expenses incurred. In addition, other documentation that is relevant to leaves, such as academic leave of absence forms, may not be completed. Proper authorization of travel reduces the risk of inappropriate/unauthorized expenditures and is a key control for monitoring leaves and travel related expenditures.

B. Usage of limousine/luxury car services in lieu of more economical means

Background

University policy states that transportation expenses “shall be reimbursed based on the most economical mode of transportation.”

Observation

Six of 27 travel vouchers reviewed (22 percent) utilized expensive limousine/luxury car services for transportation to/from the airport. In addition, the travel vouchers lacked adequate documentation demonstrating that the most economical mode of transportation was utilized.

Use of limousine/luxury car services for transportation to/from the airport without proper reasoning/support could appear to be an extravagant expenditure.

Management Action Plan

Since the control activities related to the issues noted above exist in the department/units, Accounting & Fiscal Services (A&FS) management will emphasize these items during their monthly PayQuest 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 travel expenditures practices into compliance with University policy.

The risk related to lack of prior travel authorization may be minimized with the implementation of the Quali Financial System (KFS), which will have an optional electronic authorization routing workflow for travel authorization. KFS implementation is planned for July 2013.

IAS will follow-up on the implementation of the management action plan after KFS is implemented.

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2. PayQuest Reimbursements

Background

UCI employees utilize the PayQuest automated system to request reimbursement for various expenditures. PayQuest reimbursement requests pertaining to travel expenditures and expenditures for business meetings, entertainment, and other occasions must comply with UC and campus policies and procedures.

Observation

The following is a summary of the observations.

- **Reimbursement Request Submission:** Reimbursement requests were not always submitted to the Accounting office within 21 days after travel as required by policy.
- **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.
- **Misclassification of Expenses:** Some expenses were improperly reimbursed as “business meetings” when the appropriate category was “entertainment.”
- **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.

Lack of proper approvals, documentation, timely submission, and classification of PayQuest reimbursements increases the risk of improper costs or unauthorized use of University funds.

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Management Action Plan

Since the control activities related to the issues noted above exist in the department/units, A&FS management will emphasize these items during their monthly PayQuest 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 will be addressed with the implementation of KFS, which will have 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 after KFS is implemented.