MANAGEMENT SUMMARY

Background

As part of the fiscal year (FY) 2024 audit plan, Audit and Management Advisory Services (AMAS) reviewed executives’ travel and entertainment (T&E) claims.

There are three UC policies that employees must comply with when incurring T&E costs on behalf of the university: G-48 – Policy and Regulations Governing Travel; BUS-79 – Expenditures for Entertainment, Business Meetings, and other Occasions; and G-13 – Policy and Regulations Governing Moving and Relocations. T&E reports are processed in the Concur system, also known as Aggie Expense.

For purposes of this review, the executive group consisted of members of the Committee of Deans and Vice Chancellors (CODVC). In general, T&E claims for executives are reviewed and approved by a designee of the Chancellor who works in the Offices of the Chancellor and Provost. These claims may also be subjected to additional review by the Business and Financial Services Team within Supply Chain Management (SCM).

In FY 2022 and FY 2023 executives at UC Davis incurred approximately $637K T&E costs through 4,708 claims.

Purpose and Scope

The purpose of this review was to assess practices for executive travel and entertainment reporting. To accomplish these objectives, we performed the following procedures:

- Reviewed relevant UC and UC Davis policies and procedures and interviewed SCM personnel to gain a greater understanding of the processes and practices surrounding T&E expenses.
- Obtained and analyzed T&E data contained in the Kuali Financial System.
- Selected and examined a sample of T&E reports and related supporting documentation within the Aggie Expense System. Each travel and entertainment claim was reviewed for compliance with applicable T&E policies.

The scope of our review included T&E claims paid from July 2021 through June 2023.

Conclusion

We were able to verify that executives’ T&E claims were generally compliant with applicable University policies. We also concluded that there are opportunities, as outlined in the body of this report, to reinforce best practices and awareness of policy requirements.
Observation

A. Travel

The review of T&E reports identified opportunities to reinforce best practices and awareness of policy requirements.

During our review of T&E reports, we identified opportunities to improve the documentation of travel expense reports to further demonstrate compliance with policies. These mainly provide considerations to detect discrepancies and reduce the risk of non-compliance.

- The Certificate of Non-Availability of U.S. Flag Air Carrier Service – Under the Fly America Act published in Federal Travel Regulation §30110.13 by the General Services Administration (GSA), only U.S. air carriers shall be used for all travel reimbursed from federal grants and contracts. For instances when U.S. carriers are not available, UC Davis Travel Guidance requires that the Certificate of Non-Availability be included in the travel expense report as proof of justification. Our review identified one travel claim that did not include a Certificate of Non-Availability with the travel expense report. Inclusion of the required certification in the travel expense report should be verified to ensure availability and accessibility of the document.

- Economical Mode - BUS G-28 (section V.D) requires transportation expenses to “be reimbursed based on the most economical mode of transportation and the most commonly traveled route...When traveling to and from the airport from the home location, travelers should be good stewards of the University’s resources and be mindful of the costs associated with the transport method selected.” Our review identified many travel reports that included a cost comparison to demonstrate the most economical mode of transportation was used; however, there were two travel claims without a cost comparison. Though not required by policy, for consistency and as a best practice, when a mode of transportation other than the most economical is used, inclusion of documentation supporting the cost comparison should be included in the travel expense report to demonstrate compliance with policy.

- Indirect Route - BUS G-28 (section V.D) requires that the reimbursements of expenses to “be limited to the actual costs incurred or the charges that would have been incurred via a usually traveled route, whichever is less. The cost comparison should be based on what UC would have paid.” Our review identified travel reports that included the cost comparison for indirect routes; however, this was not consistent. There were four travel claims without a cost comparison. Though not required by policy, for consistency and as a best practice, inclusion of documentation supporting the cost comparison should be included in the travel expense report to demonstrate compliance with policy.

- Foreign Travel Per Diem Rate - BUS G-28 (Section V.E) requires “Foreign travel shall be reimbursed in accordance with the Federal Maximum Travel Per Diem Allowances for Foreign Areas published by the Department of State.... if actual expenses that are greater than the per diem [rate] are claimed due to special or unusual circumstances, the traveler must document such circumstances by submitting a written explanation with the travel expense claim.” As such, a comparison between actual expenses and the federal
per diem rate must be completed. Our review identified two travel claims with actual expenses greater than\(^1\) the federal per diem rate that did not include written explanation in the travel report. As a best practice, inclusion of documentation supporting the cost comparison and/or written explanation should be included in the travel expense report to demonstrate compliance with policy.

- Reporting period – PPM 330-10 requires that “All expense reports must be submitted for approval in the AggieExpense system within 45 days of the trip end date. Expenses not submitted within 60 days of the trip end date will be reportable as taxable income to the employee, even if those expenses were paid directly by the University.” Our review identified two travel claims submitted over 45 days, but less than 60 days.

Most of the instances identified above can only be remedied through meticulous preparation of travel claims by an individual knowledgeable about all applicable University travel policies as well as the details of the actual travel that occurred. For example, inclusion of cost comparisons can identify travel expenses that may not be compliant with university policies and assist the traveler to determine remediating actions (i.e. inclusion of written explanation, refund) to prevent a policy violation. As such, executives and individuals involved in the preparation and review of these claims should be reminded of the policies noted above.

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\(^1\) The amount in question was estimated to be $166.