

**UNIVERSITY OF CALIFORNIA DAVIS
INTERNAL AUDIT SERVICES**

**Offices of the Chancellor and Provost
Chancellor's Expenses - BFB G-45 Review
Internal Audit Services Project #11-05**

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Fieldwork Performed by:

Sherrill Jenkins, Principal Auditor

Reviewed by:

Leslyn Kraus, Associate Director

Approved by:

Jeremiah Maher, Interim Director

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MANAGEMENT SUMMARY

Each year the respective internal audit offices at each University of California (UC) campus perform a system-wide review of Fiscal Year Expense and Taxable Expense Reports of the Chancellor. These reports are required by Business and Finance Bulletin G-45 "Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors".

The purpose of our review was to determine if the Fiscal Year Expense Report and Taxable Expense Report were accurate, complete, and prepared in compliance with the requirements of G-45. Additionally, a detailed review of Travel and Entertainment (T&E) expenses for Chancellors Katehi and Vanderhoef, and Associates Tseregounis and Vanderhoef was included to assess compliance to applicable travel and entertainment policies.

To complete our review of the G-45 reports, IAS examined supporting financial records and other related documentation. The scope for the review of the G-45 reports encompassed all reportable activities from July 1, 2009 through October 31, 2010.

To complete the review of the T&E expenses, a sample of 40 expense reports were selected to assess compliance with University policies. The sample consisted of T&E reports for the current Chancellor and her Associate, as well as the former Chancellor. The scope for the review of the T&E expenses was fiscal year 2010 activity.

IAS worked with OCP prior to the Chancellor's certification of the Fiscal Year Expense Report and Taxable Expense Report to make appropriate adjustments and concluded that the reports are free of material errors. Overall, we found expenses to be appropriate and processes to be adequate. However, we did identify some practices that needed to be revised in order to better document existing compliance with University policy requirements. For example, the justification for the Associate's travel and entertainment in his capacity as the Associate was not always included in the documentation submitted in the My Travel System. Our observations were satisfactorily addressed by the Offices of the Chancellor and Provost during the course of our review and are further discussed in the body of this report.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**A. Insufficient Supporting Documentation**

Supporting documentation included in the My Travel system for travel and entertainment expenses was not always sufficient to demonstrate compliance with University policy.

The My Travel system contains UCD's official record of travel and entertainment (T&E) expense reports. During our review we examined a sample of 25 travel expense reports and 15 entertainment expense reports. Although we did not find inappropriate reimbursements we did find a number of instances where documentation recorded in My Travel was insufficient to support the appropriateness of these expenses. When asked, OCP staff members were able to prepare or obtain the necessary documentation:

- Six out of six travel expense reports reviewed in the My Travel system for the Associate did not contain sufficient supporting documentation to demonstrate that the significant involvement criteria, as set forth in G-45, Appendix C, had been met. This reimbursement criterion requires that the Associate carry out specific activities based upon the type of event attended to support the Chancellor and the University.

Once the documentation was prepared by OCP staff, we were able to determine all of the Associate's trips with the Chancellor that we reviewed did meet the significant involvement test of G-45. Ensuring adequate supporting documentation is filed with the travel claim should minimize the risk that the Internal Revenue Service (IRS) finds these payments as taxable to the Associate.

- For airline travel, we found little or no support in the My Travel system for upgraded travel accommodations (e.g., upgrades from coach class to first class). PPM 300-16¹ I.B.3 requires the traveler pay for the additional cost of the upgraded accommodations. We also found instances where the original ticket, which details information such as fare calculations and original booking class, was not included in the supporting documents. PPM 300-26² II.C.1 requires original receipts for all airline expenses.

Although we were later able to obtain documentation to demonstrate that the upgrades to first class were at no-cost to the University, and locate the original airline tickets, as time passes generating such documentation may prove to be difficult if there is a public records request.

¹ PPM 300-16, Transportation Expenses—Air Travel

² PPM 300-26, Reporting Travel Expenses

Recommendation

1. OCP should develop a mechanism to help the Associate provide the appropriate level of support to demonstrate compliance with the G-45, Appendix C significant involvement requirements. This documentation should be imaged with the travel claim receipts and uploaded to My Travel at the time of the initial travel reimbursement request.
2. Support staff responsible for organizing and processing travel and entertainment activities on behalf of the Chancellor and Associate are the first and sometimes last line of defense to ensure compliance with University policy. The OCP support staff responsible for processing travel and entertainment expense reports should participate in training activities to ensure they are knowledgeable about UCD's travel and entertainment policies and documentation requirements for all travel expense reports.³

Management Corrective Action

1. OCP has developed a form that will be used to document the details required by Appendix C. This form has been completed for the Associate's past trips, and will be used for all future travel when acting as the Associate of the Chancellor. A similar form will also be used for the Chancellor's expenses when needed to ensure sufficient supporting documentation exists to support compliance.
2. OCP has agreed to conduct training related to travel and entertainment policies for all staff involved with the processing of travel and entertainment claims for the Chancellor and Associate by March 31, 2011.

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³ The UCD travel policies were updated as of September 2010.