UCSB Audit and Advisory Services

Internal Audit Report

Travel and Entertainment

December 13, 2012

Performed by:
Raphaëlla Nau, Staff Auditor

Approved by:
Robert Tarsia, Director

Report No. 08-13-0005
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December 13, 2012

To: Asger Pedersen
Manager, Travel and Entertainment
Business and Financial Services

Re: Travel and Entertainment
Audit Report No. 08-13-0005

As part of the 2012-13 annual audit plan and in conjunction with a systemwide effort, Audit and Advisory Services has completed an audit of Travel and Entertainment. Enclosed is the audit report detailing the results of our review.

The primary purpose of this audit was to assess whether the processes and procedures implemented by the University of California, Santa Barbara are in compliance with University-wide policies over travel and entertainment.

The scope of the audit included:

- Fiscal year 2011-12 travel and entertainment expenses for Senior Management Group (SMG) members and deans.
- Processes and procedures for the five departments with the highest fiscal year 2011-12 travel costs and the five departments with the highest entertainment costs.

Based on the work performed within the scope of the audit, campus travel and entertainment reimbursement processes and procedures are generally in compliance with University policies. The audit found no critical weaknesses; however, our work did identify opportunities for improvement in the areas of approvals, payments of expenses incurred on behalf of others, and allowances administered by campus departments.

Detailed observations and management corrective actions are included in the following sections of the report. The management corrective actions provided indicate that each audit observation was given thoughtful consideration and that positive measures have been taken or planned to implement the management corrective action. The cooperation and assistance provided during the review was greatly appreciated. If you have any questions, please feel free to contact me.
Respectfully submitted,

Robert Tarsia  
Director  
Audit and Advisory Services

Enclosure

cc:  Chancellor Henry Yang  
Associate Vice Chancellor Ron Cortez, Administrative Services  
UCSB Audit Committee  
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca  
Jim Corkill, Director and Controller, Business and Financial Services  
Steve Kriz, Assistant Director, Business and Financial Services

Department Distribution

Michelle Keuper, Management Services Officer, Kavli Institute for Theoretical Physics  
Robin Jenneve, Academic Business Officer, Electrical and Computer Engineering  
Kristin Snyder, Business Officer, National Center for Ecological Analysis and Synthesis  
Maureen Evans, Assistant Director, Materials Research Lab  
Shilo Tucker, Business Officer, Department of Physics  
Alejandra Greene, Business Manager, Office of Development  
George Thurlow, Executive Director, Alumni Affairs  
Laurie Eusey, Financial Officer, Institute for Collaborative Biotechnologies  
Juli Pippin, Assistant Dean for Budget and Administration, College of Engineering
PURPOSE

The primary purpose of this audit was to assess whether processes and procedures implemented by the University of California, Santa Barbara (UCSB) are in compliance with University-wide policies over travel and entertainment. This included determining whether:

- The campus has implemented procedures that ensure compliance with University-wide policies over travel and entertainment.

- Existing procedures and practices followed in monitoring, reviewing, and approving travel and entertainment expenses for senior officials, other employees, and selected departments; provide reasonable assurance of compliance with University policies; and that costs incurred are for a business purpose and UC benefit.

- Travel and entertainment expenses were supported by records consistent with University policies and in a manner that demonstrated costs were incurred when conducting University business.

This audit is part of UCSB’s 2012-13 annual audit plan and was performed in conjunction with a systemwide effort.

SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the audit included:

- Fiscal year 2011-2012 travel and entertainment expenses for Senior Management Group (SMG) members and deans.

- Processes and procedures for the five departments with the highest fiscal year 2011-12 travel costs and the five departments with the highest fiscal year 2011-12 entertainment costs.

The audit objectives are outlined in Table 1.

To accomplish our objectives, we:

- Reviewed relevant sections of University of California (UC) policies G-28, Travel Regulations (G-28), and BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions (BUS-79), as well as campus and department policies, procedures, and practices for travel and entertainment.

- Analyzed travel and entertainment transactions to determine the five campus departments with the highest travel costs and the five departments with the highest entertainment costs for fiscal year 2011-12. We documented and evaluated the processes and procedures of these departments through interviews and review of documentation, such as forms and desk procedures.
Analyzed fiscal year 2011-12 travel and entertainment expenses incurred by SMG members and deans, and performed a detailed review of selected transactions for SMG members and deans with travel and entertainment expenses exceeding $5,000. A sample of travel and entertainment transactions was selected for each SMG member and dean, based on covering a minimum of 10% of each individual’s travel and entertainment (separately) expenditures. We reviewed a total of 25 transactions (17 travel and 8 entertainment) for the SMG members and deans who met the $5,000 travel and entertainment expense threshold.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Table 1: Audit Objectives

<table>
<thead>
<tr>
<th>Travel and Entertainment Review Area</th>
<th>Audit Objectives</th>
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</thead>
<tbody>
<tr>
<td><strong>Department Procedures</strong></td>
<td>Determine whether:</td>
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<tr>
<td></td>
<td>• Campus procedures for reviewing and approving travel and entertainment reimbursements are in compliance with UC policies G-28 and BUS-79.</td>
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<tr>
<td></td>
<td>• An appropriate level of review and approval is performed for travel and entertainment expenditures to ensure compliance with UC policies.</td>
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<td></td>
<td>• Departments provide adequate training to travelers and to individuals seeking reimbursements for entertainment expenses.</td>
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<tr>
<td><strong>SMG and Dean Expenditures</strong></td>
<td>Determine whether:</td>
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<tr>
<td></td>
<td>• An appropriate level of review and approval is performed for travel and entertainment expenditures.</td>
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<tr>
<td></td>
<td>• Adequate supporting documentation and justification is provided with all requested reimbursements.</td>
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<tr>
<td></td>
<td>• Cash advances are in compliance with UC policy G-28.</td>
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<tr>
<td></td>
<td>• Travel and entertainment meals were within the maximum allowed rates.</td>
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<tr>
<td></td>
<td>• Travel and entertainment meals were appropriately charged to the funding source.</td>
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</tbody>
</table>

### BACKGROUND

**Travel and Entertainment at UCSB**

The Travel and Entertainment unit (Travel Office) of Business and Financial Services is charged with processing travel expense vouchers and entertainment-related reimbursements for payment. The responsibility for compliance with UC policies and procedures is shared with the campus departments preparing and submitting travel and entertainment expenses for reimbursement. UC policies G-28, *Travel Regulations* (G-28), and BUS-79, *Expenditures for Business Meetings, Entertainment, and Other Occasions* (BUS-79), are the two primary UC policies governing these areas, and there are also campus and department policies, procedures, and practices for travel and entertainment. Policies G-28 and BUS-79 both allow campuses to establish more restrictive policies for the reimbursement of travel and entertainment expenses. Campus departments may also implement more restrictive policies in these areas.
During fiscal year 2011-12, UCSB processed approximately 27 thousand travel-related transactions totaling $18.8 million and approximately 13 thousand entertainment-related transactions valued at approximately $3.7 million. Travel transactions include travel by UCSB staff, faculty, and students, as well as some travel to UCSB by other UC and non-UC visitors. Although not required by Business and Financial Services, many campus departments use the Domestic or Foreign Travel Reimbursement Worksheet available on the Business and Financial Services website, or department-developed worksheets, to compile travel expense information in preparation for processing through the online Travel Expense Voucher system (Online TEV). Entertainment reimbursements are processed using the Payment Request-Expenditures for Business Meetings, Entertainment, and Other Occasions form (Entertainment Form-5).

In March 2011, Audit and Advisory Services issued an audit report on Travel, which included recommendations for Business and Financial Services to conduct campus training on travel and entertainment. This training was completed in February 2012, and included reviewing pertinent sections of the G-28 and BUS-79 policies, as well as providing the participants with guidelines for processing travel and entertainment reimbursements.

**Senior Management Group and Deans**

The UCSB Senior Management Group (SMG) is currently comprised of the Chancellor, Executive Vice Chancellor, Vice Chancellor for Research, Vice Chancellor for Student Affairs, Associate Vice Chancellor for Information Systems and Technology, and University Librarian. There are currently 13 deans at UCSB, including several deans of schools and colleges, and deans of Extended Learning, Students, Summer Session, and Undergraduate Education.

As noted above, the audit included a detailed review of selected transactions for SMG members and deans, including both travel and entertainment expenses. SMG members and Deans selected for review had combined travel and entertainment expenses exceeding $5,000 for the fiscal year 2011-12 audit period.

**SUMMARY OPINION**

Based on the work performed within the scope of the audit, campus travel and entertainment processes and procedures are generally in compliance with UC policies G-28 and BUS-79. The audit found no critical weaknesses; however, our work did identify opportunities for improvement in the areas of approvals, payments of expenses incurred on behalf of others, and allowances administered by campus departments.

Audit observations and management corrective actions are detailed in the remainder of the audit report.
Our analysis of campus travel and entertainment transactions to determine the five departments with the highest fiscal year 2011-12 dollar volume of travel expenditures and the five departments with the highest fiscal year 2011-12 dollar volume of entertainment expenditures identified the departments listed in Table 2. The departments generally had adequate processes and procedures for both travel and entertainment. Although the departments had not recently conducted any training on their own, most had attended the travel and entertainment training provided by Business and Financial Services in February 2012, and had processes in place to ensure that personnel were familiar with UC, campus, and departmental policies and procedures. We provided minor audit observations to the departments at the conclusion of our review.

<table>
<thead>
<tr>
<th>Area</th>
<th>Top 5 Departments</th>
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<tbody>
<tr>
<td>Travel</td>
<td>Kavli Institute for Theoretical Physics $2,086,314</td>
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<td></td>
<td>Electrical and Computer Engineering 750,886</td>
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<td></td>
<td>Center for Ecological Analysis and Synthesis 714,277</td>
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<td></td>
<td>Materials Research Lab 683,398</td>
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<td></td>
<td>Physics 674,195</td>
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<tr>
<td></td>
<td>Total for Top 5 $4,909,070</td>
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<tr>
<td>Entertainment</td>
<td>Development $451,613</td>
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<td>Alumni Affairs 235,734</td>
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<td></td>
<td>Institute for Collaborative Biotechnologies 209,503</td>
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<tr>
<td></td>
<td>Kavli Institute for Theoretical Physics 141,867</td>
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<tr>
<td></td>
<td>College of Engineering 138,474</td>
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<td></td>
<td>Total for Top 5 $1,177,191</td>
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</tbody>
</table>

Source: Auditor Analysis of travel and entertainment transactions using the campus Data Warehouse.

Our review of SMG and dean expenditures found a high level of compliance with applicable policies. For travel, we found that in all cases the purpose of the trip was clearly documented and adequate supporting documentation was provided. All entertainment expenditures were within the per person maximum for the meal type, the appropriate funding source was used, a list of attendees and adequate supporting documentation was included, and an adequate justification was documented.
1. SMG and Dean Travel and Entertainment Approvals

The audit found that insufficient approvals were obtained for travel expense vouchers in six instances:

- In 4 cases, the expenses were approved by an individual who reports to the traveler, an inadequate practice that is inconsistent with Policy G-28.

- For the other two cases, the voucher included a note referring back to the Request for Travel Approval form for the required approval. However, advance approval of travel and estimated expenses is not a substitute for a final approval of actual incurred expenses.

Insufficient approvals were also obtained for two entertainment expense vouchers:

- One individual signed as the host and individual seeking reimbursement, as well as the Approving Authority. The Approving Authority is described in BUS-79 as the individual who has been delegated written authority to approve expenditures for meals, refreshments, and other amenities. As stated in BUS-79, individuals with delegated approval authority cannot approve their own entertainment expenses.

- In the second case, the individual approved the entertainment expense reimbursement of the individual to whom they directly report, an inadequate practice that is inconsistent with Policy BUS-79.

2. Approval for Travel Expenses Paid on Behalf of Others

Expenses were paid on behalf of other travelers in two instances without the required advance approval. Policy G-28 states that, “University travelers normally shall not be reimbursed for expenses paid on behalf of other persons, except in the case of co-travelers who are sharing a room. Exceptions to this rule, such as supervised group trips, must be approved in advance.” One traveler purchased international airfare for three co-travelers, and the other paid for a lodging and meal package for 13 conference participants. Both travel expense vouchers included a justification for the expenses, and all of the expenses were allowable under policy with the proper pre-approval. Pre-approvals should be obtained in all cases for which they are required.

3. Travel Expense Allowances

One of our objectives was to gain an understanding of how departments administer Meals and Incidental Expense (M&IE) caps and per diems, and to ensure the practices are consistent with applicable policies. Policy G-28 states:

For travel assignments of less than 30 days within the continental United States (CONUS), the reimbursement of daily subsistence expenses shall be based on the actual amounts incurred for lodging and meals and incidental expenses. The M&IE cap shall not be treated as a per diem. M&IE reimbursement shall be limited to the actual reasonable costs incurred, subject to the daily maximum reimbursement cap set forth in Appendix B. Departments should remind their travelers that only expenses actually incurred are reimbursable. Travelers should be required to submit meal receipts if it appears that they are treating the cap as a per diem by routinely claiming the full M&IE amount.

Our review found that three of the five departments we reviewed have implemented an expense allowance practice, which, as allowed by Policy G-28, appears to be more restrictive. Non-UC
travelers participating in research programs with those departments are given a daily expense allowance while on travel status at UCSB:

- Two departments are providing daily allowances for M&IE of $50 and $55, which are below the daily Policy G-28 M&IE cap.

- The third department has apportioned the allowance into daily lodging and meal allotments, $50 for lodging and $35 for meals. Policy G-28 requires receipts for all lodging expenses incurred for domestic travel.

Although the more restrictive caps built into these allowances appear to be in compliance with UC policy, the current way of administering the allowances could be viewed as a way of circumventing documentation (receipt) requirements. Additionally, Policy G-28 does not provide for any type of allowance other than per diems under certain circumstances, and the allowances as currently administered could have income tax consequences.

It would be prudent to remind the campus departments of the types of approvals required for travel and entertainment reimbursements and the pre-approvals necessary for expenses paid on behalf of other individuals. Additionally, Business and Financial Services should provide guidance to the campus departments that have implemented allowance practices on how to ensure compliance with Policy G-28.

### Management Corrective Actions

Business and Financial Services concurs with the audit findings, and will:

- Remind the campus via email or other appropriate means of the required approvals for all travel and entertainment reimbursements.
- Remind the campus via email or other appropriate means of the pre-approvals required for travel expenses to be paid on behalf of others.
- Continue to work with the departments in providing guidance on how to bring their travel expense allowance practices into compliance with Policy G-28. We have already been in dialog with departments regarding their practices in this area, and will work with the departments on the specific actions needed, such as clarifying that allowance practices are not consistent with Policy G-28, requiring itemization of expenses, and other specific steps.

Audit and Advisory Services will follow-up on the status of this management corrective action by May 31, 2013.