

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO
AUDIT SERVICES**

**TRAVEL AND ENTERTAINMENT EXPENDITURES
Project #13-014**

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TRAVEL AND ENTERTAINMENT EXPENDITURES

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MANAGEMENT SUMMARY

As a planned audit for fiscal year 2012-2013, Audit Services completed a travel and entertainment review. The review was requested by the Office of the President (UCOP) and similar reviews were conducted at the other UC campuses and at the Lawrence Berkeley National Laboratory.

The purpose of the review is to determine that:

- Implemented procedures 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 and selected departments reviewed provide reasonable assurance of compliance with University policies and costs incurred are for a business purpose and UC benefit;
- Travel and entertainment expenses reviewed were supported by records consistent with University policies and in a manner that demonstrated costs were incurred when conducting University business.

We examined supporting records for 86 (53 for travel and 33 for entertainment) of 340 reimbursement requests totaling \$114,000 for 17 of 26 Senior Management Group (SMG) members and Deans. The transactions examined were processed in FY12. Additionally, we review the procedures and practices for reviewing and approving travel and entertainment reimbursements, at 15 departments and divisions, across the four schools of the Campus that had the greatest travel and entertainment expenditure.

We found that travel and entertainment expense reimbursements were generally in compliance with University and UCSF policies. Overall, expenses claimed for reimbursement were for bona fide University business purposes and were substantiated in compliance with University policies. Expense reports and other records were found to be properly approved, including exceptional expenses. The departments and divisions reviewed have implemented appropriate procedures and practices to ensure that travel and entertainment expenditures comply with University and UCSF policies.

While we did not identify any significant control deficiencies during our review, we identified opportunities for enhancements to the travel and entertainment reimbursement process. We noted that the MyExpense system is not configured to ensure reimbursements are approved by individuals who do not report directly or indirectly to the employee seeking reimbursement. Additionally, travel expenses associated with a single event are not always reported on a single reimbursement request, such as a TEV or an equivalent electronic form. Lastly, we identified a few legitimate reimbursements were not supported by documentation sufficiently demonstrating the business purpose and trip duration.

More detailed information can be found in the body of this report.

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I. BACKGROUND

As a planned audit for fiscal year 2012-2013, Audit Services completed a travel and entertainment review. The review was requested by the Office of the President (UCOP) and similar reviews were conducted at the other UC campuses and at the Lawrence Berkeley National Laboratory. The audit objectives, scope, and program for the review were developed by the Office of Ethics, Compliance and Audit at UCOP.

In April 2011, the Campus Controller's Office (CCO) implemented MyExpense, a third-party hosted, web-based expense reporting system, to replace paper requests for employee expense reimbursements. The system allows the submission of expense reimbursement requests on-line, attachment of receipts, and electronically routing for approval. The Medical Center Accounts Payable Office (MCAPO) has plans to implement MyExpense in the near future and will be abandoning the paper based reimbursement system which exists at this time.

II. AUDIT PURPOSE AND SCOPE

The purpose of the review was to determine that:

- Implemented procedures to ensure compliance with University wide policies over travel and entertainment;
- Existing procedures and practices followed to monitor, review and approve travel and entertainment expenses for senior officials and selected departments reviewed provide reasonable assurance of compliance with University policies and costs incurred are for a business purpose and UC benefit;
- Travel and entertainment expenses reviewed were supported by records consistent with University policies and in a manner that demonstrated costs were incurred when conducting University business.

The scope for the review included travel and entertainment expenses incurred by UCSF senior executives, who are part of the Senior Management Group (SMG) personnel program, and in FY12 had received combined travel and entertainment reimbursements exceeding \$5,000. It also encompassed an examination of travel and expense procedures and practices in selected campus departments.

In performing this review, we examined supporting records for 86 (53 for travel and 33 for entertainment) of 340 reimbursement requests totaling \$114,000 for 17 of 26 senior executives. The dollar amount of the transactions reviewed constituted over 50% of total reimbursements paid to the senior executives. Additionally, we assessed the procedures and practices for reviewing and approving travel and entertainment reimbursements in 15 departments and divisions that had the greatest amount of travel and entertainment expense in FY12. The departments or divisions selected for review were associated with each of the four schools of the Campus.

During the transaction testing for compliance to University policy, we examined Travel and Entertainment Vouchers (TEVs), Check Requests for Entertainment and Meeting Expenses (CREMEs) and electronic expense reimbursements, which supported reimbursement expenses. We also performed the following procedures:

- Reviewed University-wide bulletins and local policies and procedures to gain an understanding of the requirements governing travel and entertainment expenses;
- Met with accounting personnel from the CCO and MCAPO to obtain an understanding of the expense reimbursement process using MyExpense and paper processes;
- Obtained the Travel & Entertainment Approval Matrix for the Campus and the Signature Authority Table for the Medical Center to identify individuals authorized to approve standard and exceptional reimbursement requests;
- Identified ledger accounts used to record travel and entertainment expenses to evaluate transactions volume for sampling purposes;
- Selected and performed substantive testing on a judgmental sample of 53 travel (38 Campus and 15 Medical Center) and 33 entertainment (25 Campus and eight Medical Center) expense reimbursements paid to SMG members and Deans;
- Examined records supporting travel and entertainment reimbursements including MyExpense, TEVs and CREMEs to determine compliance with policy requirements;
- Interviewed management from 15 departments and divisions across the Campus to evaluate procedures and controls in place for reviewing and approving travel reimbursements.

The scope of the review was limited to the specific procedures described above and related to transactions and activities occurring between July 2011 and June 2012. As such, work completed is not intended, nor can it be relied upon to identify all instances of potential irregularities, errors and control weaknesses that may occur in areas not covered in this review. Fieldwork was conducted between in August and November 2012.

III. **CONCLUSION**

Based on the procedures performed, we found that travel and entertainment expense reimbursements were generally in compliance with University and UCSF policies. Overall, expenses claimed for reimbursement were for bona fide University business purposes and were substantiated in compliance with University policies. Expense reports and other records were found to be properly approved, including exceptional expenses. The departments and divisions reviewed have developed and implemented appropriate procedures and practices to ensure that travel and entertainment expenditures comply with University and UCSF policies. Campus departments also expressed that they

found MyExpense to be more efficient in reviewing and approving expense reimbursements which leads to less handling time and a quicker processing of reimbursement requests.

While we did not identify any significant control deficiencies during our review, we noted opportunities for enhancements to the travel and entertainment reimbursement process. CCO will be evaluating the feasibility of producing periodic reports to monitor and ensure entertainment and travel expenses processed through MyExpense are approved by personnel that do not report directly or indirectly to the employee seeking reimbursement. The CCO also will be determining if functionality exists in MyExpense to detect duplicate reimbursement transactions and will be requesting that UCOP revise policy to eliminate the need to report all travel expenses on a single travel expense voucher. MCAPO will be implementing monitoring procedures to prevent duplicate reimbursement payments. Lastly, CCO and MCAPO will be enhancing and providing additional training for travel and entertainment expense reimbursement processing.

Two observations regarding the required use of Connexus to obtain travel services and the University's exemption from transient occupancy taxes were raised with the UCOP Office of Ethics, Compliance and Audit Services for consideration as system-wide observations.

IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. The MyExpense system is not configured to ensure that reimbursements are authorized by personnel that do not report directly or indirectly to the employee seeking reimbursement.

UC travel and entertainment policies require that reimbursement requests should not be approved by a person who reports directly or indirectly to the employee seeking reimbursement.

In the MyExpense system, expense reports are electronically routed to employees who have been delegated the authority to approve reports based upon the fund being charged. The system has not been designed so that the supervisors for travelers are identified as this would require constant maintenance as personnel transfer between departments or leave the University. For one department reviewed, we noted that the MSO approved the travel expenses for the department chair, which was not in compliance with policy.

If transactions are not authorized by an appropriate individual, then the review process may be rendered ineffective. As a consequence, employee reimbursements may not conform to University policies.

Management Corrective Actions

By March 31, 2013, the CCO will evaluate the feasibility of producing periodic reports to monitor for proper approvals of MyExpense transactions.

B. UCSF does not have systems that ensure employees report all travel expenses on one Travel Expense Voucher (or electronic equivalent) as required by UC policy.

UC and UCSF travel policies¹ state that the total amount of all expenses and advances pertaining to a particular trip must be accounted for when submitting a Travel Expense Voucher (TEV). The exception to the policy is trips that require quarterly reporting.

Currently, employees can submit multiple reimbursements for travel expenses related to a single trip. From our review of TEVs, we identified one instance where a traveler was reimbursed twice for the same airfare. This occurred as two separate reimbursements were submitted, one for just the airfare prior to the travel and a second (two months later after the trip), for lodging, ground transportation, meals and, again, the airfare. During the audit, the duplicate payment was paid back to the University by the SMG member, who had received it.

If all expenses are not reported on one travel reimbursement, then there is greater potential that all related travel expenses are not being reviewed appropriately resulting in incorrect, unallowable or unauthorized reimbursements.

Management Corrective Actions

1. By March 31, 2013, the CCO will seek revisions to the UCOP policy requirement to report all expenses pertaining to a particular trip on one Travel Expense Voucher with the Office of the President. Alternatively, they will obtain a waiver from this policy requirement. Additionally, the CCO will review MyExpense system functionalities to determine if reasonable controls could be feasibly implemented to detect duplicate reimbursements.
2. By January 31, 2013, the MCAPO will implement monitoring procedures to review for multiple reimbursement requests relating to a single trip.

¹ UC Policy G-28, V.I.2 – Completion of a Travel Expense Voucher and UCSF Administrative Policy 300-38 – Travel Reimbursement and Per Diem Rates

C. Internal controls over travel and entertainment expenditures should be strengthened by establishing new training programs and revising existing ones.

Our review of reimbursement transactions did identify some instances regarding sufficiency of documentation to substantiate travel and entertainment costs or to justify the business purpose for incurring expenses. While the extent of the discrepancies was minimal, it did highlight that departments were not always checking to confirm appropriate documentation has been provided. The CCO has developed guidance and training information on their webpage but it does not focus on common problems with travel and entertainment reimbursement requests. In addition, there is no in-person training that is offered.

Without proper and sufficient training, reimbursement requests may be approved without appropriate documentation or justifications. Accordingly, the validity of these expenses may not be sufficiently documented, which may cause the legitimacy of these reimbursements to be questioned, if they are reviewed at a later date.

Management Corrective Actions

By June 30, 2013, the CCO and the MCAPO with the assistance of Audit Services will develop additional training material (e.g. webinars, town halls, FAQs) that can be provided to staff responsible for processing travel and entertainment reimbursement requests for senior executives.

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