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June 2, 2011

EXECUTIVE VICE PRESIDENT BROSTROM

Subject: Final Audit Report No. 11A016, Travel and Entertainment Expenditures

Attached please find the final report for: Audit Project 11A016: Travel and Entertainment Expenditures. With the issuance of this final report, please destroy any previous draft versions. We very much appreciate the assistance provided to us by your staff and the Business Resource Center during our review. If you should have any questions, please feel free to contact me at 510-987-0482 (e-mail: Susana.Atwood@ucop.edu), or Virginia Luke at 510-987-9205 (e-mail Virginia.Luke@ucop.edu).


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UNIVERSITY OF CALIFORNIA
ETHICS, COMPLIANCE AND AUDIT SERVICES
OFFICE OF THE PRESIDENT
INTERNAL AUDIT SERVICES

TRAVEL AND ENTERTAINMENT EXPENDITURES
Project No. 11A016
June 2011

Executive Summary

Introduction

In 2009 Executive Vice President Nathan Brostrom requested that UCOP Audit Services perform a review of travel and entertainment expenses including the senior management group (SMG) and management and senior professionals (MSP). A report was issued related to all travel entered into the "Express" reimbursement system for the calendar year 2009. Phase II of this project focused on travel and entertainment expenditures that were paid directly through accounts payable instead of using UCLA's Express system.

This audit represents the second year that a review has occurred. However, this audit focused only on expenses processed through the Express system for the period January 1 through December 31, 2010.

As part of this audit, we reviewed the Travel and Entertainment policies: Business and Finance Bulletin Number 28 - Policy and Regulations Governing Travel and Business and Finance Bulletin Number BUS-79 - Expenditures for Business Meetings, Entertainment, and Other Occasions. Restrictions and qualification defined in these policies relating to travel and entertainment were used to test the expense vouchers' compliance to policy.

Most departments are subject to a pre-approval requirement; however, several departments were granted exemptions such as UC Press, Office of the Treasurer, Education Abroad Program (EAP) and Secretary of the Regents, as the nature of their work results in frequent travel and or entertainment expenses over \$500, \$1,500 as of November 2010.

For most departments, the travel reimbursement process is initiated with the Business Resource Center (BRC). At the completion of a trip, the traveler submits to the BRC all required documents which include: approvals, original receipts, and BRC form (or an equivalent). UCLA's Express system is used for all reimbursements to UCOP individuals for travel & entertainment.

There are several departments that do not use BRC to process their travel reimbursements but have one or more trained department proxies to perform this process: Office of the General Counsel, Secretary of the Regents, Office of the Treasurer, UC Press, and the Office of Ethics, Compliance & Audit Services. These units also use UCLA's Express system but retain their own backup documentation. These departments are responsible for scanning the expense related receipts into Express.

Objectives and Scope

The object of this audit was to assess compliance of UCOP employees' & Officers of the Regents' domestic and foreign travel with UC Policy. We used General Services Administration (GSA) guidelines for Foreign Per Diem rates to test compliance to travel policy.

Internal Audit reviewed a sample of travel and entertainment reimbursements that were processed in the Express system in the calendar year 2010. Non-employee reimbursements were excluded from our testing.

There were sixty-eight Foreign travel expenses processed during the calendar year 2010 through the Express system consisting of SMG and non-SMG (Other) vouchers. We selected and reviewed the 5 highest SMG vouchers. There were 30 Other vouchers each of which was \$2,000 or greater; of these we selected 15.

For domestic travel, we excluded the category of non-employee reimbursements. There were 5,839 Domestic travel expenses processed during the same period consisting of SMG and Other vouchers. We selected and reviewed the 5 highest SMG vouchers. There were 95 Other vouchers each of which totaled over \$2,000; of these we selected 15.

Our review included testing a voucher to determine if:

- travel was preapproved,
- actual expenses incurred were no more than 110% of the pre-approved amount,
- actual expenses reimbursed were within the recommended foreign per diem limits,
- receipts were provided where required [hotels, airfare, rental cars, foreign actuals, taxis over \$75],
- personal expenses were excluded from reimbursement,
- travel purpose was documented for each day,
- entertainment expenses were within policy monetary limits and guidelines,
- the correct per diem rates were used with appropriate adjustments where needed,
- expense reports were submitted within 21 days after travel ended,
- coach airfare was used,
- car rentals, airport parking and daily parking were in compliance with policy,
- personal vehicle usage and mileage reimbursements met requirements,
- the daily domestic M&IE maximum allowance (\$64) was not exceeded,
- there were no duplicate payments, overpayments, or underpayments.

We also performed analytical reviews and noted that:

- travel expense reimbursements increased less than 1% for the calendar year 2010.

The total dollar amount paid for the General Ledger Direct Paid transactions in that one year period is \$3,929,222, The General Ledger Express transactions were \$1,684,107. The breakdown by object code is in appendix A.

Overall Conclusion

Based on the work performed, we found that reimbursements were in compliance with UC travel and entertainment policies. We have found opportunities for improvement in strengthening the process that reviews the accuracy of the expense vouchers as well as compliance to policy. However, discrepancies that were found were determined to be immaterial and actions taken to improve accuracy may not have a cost benefit.

Appendix A

Travel & Entertainment Reimbursements

	2008 data	2009 revised data	2009 revised data	2010 data	
Travel (2000, 2005, 2011, 2015, 2025 ²)	3,659,091.75	1,767,831	1,767,831	1,860,144	
Event, Conference, Meeting (3310, 3320)	2,382,808.88	1,062,176	1,062,176	1,103,036	
Conference & Training Related Fees (2040, 2045, 2100, 3300)	1,418,333.95	714,150	714,150	704,516	
Entertainment (3307, 3308)	523,825.44	308,385	308,385	261,526	
total GL Direct Paid	7,984,060.02	3,852,543	3,852,543	3,929,222	1.99% increase
Travel (2000, 2005, 2011, 2015, 2025)	2,764,489.90	1,617,218	1,617,218	1,539,798	
Event, Conference, Meeting (3310, 3320)	129,499.76	77,225	77,225	59,503	
Conference & Training Related Fees (2040, 2045, 2100, 3300)	102,782.96	40,965	40,965	54,882	
Entertainment (3307, 3308)	41,715.09	15,396	15,396	29,924	
total GL Express	3,038,487.71	1,750,804	1,750,804	1,684,107	3.81% decrease
Total T&E reimbursement	11,022,547.73	5,603,347	5,603,347	5,613,329	0.18% increase

Source: UCOP general ledger, Direct Paid and Express transactions

¹ 2009 dollar amounts have been recalculated to reflect expenses excluded from total reported in report 11C001

² Object_code 2025 – vehicle rental-travel was included in the travel totals for 2009 revised data & 2010 data