

December 5, 2019

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**Subject:        *Moore's Cancer Center Travel and Entertainment  
Report 2019-55***

The final report for *Moore's Cancer Center Travel and Entertainment, Report 2019-55*, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding Management Action Plans in response to the audit recommendations, a formal response to the report is not requested. The Management Action Plans to address the findings included in this report have been completed.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

Christa Perkins  
Interim Director  
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Attachment

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# UC San Diego

## AUDIT & MANAGEMENT ADVISORY SERVICES

Moore's Cancer Center Travel & Entertainment  
Report No. 2019-55  
December 2019

### FINAL REPORT

**Performed By:**

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**Approved By:**

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## I. BACKGROUND

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Audit & Management Advisory Services (AMAS) has completed a review of Moore's Cancer Center (MCC) Travel & Entertainment as a supplement to the approved audit plan for Fiscal Year 2018-19. This report summarizes the results of our review.

AMAS was requested by leadership to review travel and entertainment expenditures at MCC, including expenditures related to the Cancer Center Support Grant (CCSG) Site Visit, travel and entertainment expenditures of a recently hired administrator (Administrator), and expenditures for selected other MCC leaders, to evaluate internal controls and compliance with applicable University policy.

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## II. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

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The objective of our review was to determine whether selected MCC travel and entertainment expenditures were processed in compliance with policy, fund source restrictions, and budgetary requirements. In order to achieve our objective, we performed the following procedures:

- Obtained data on travel and entertainment expenditures for FY18 and FY19 to date;
- Reviewed a judgmental sample of other high-dollar travel and entertainment events occurring during the audit period;
- Reviewed business meeting and travel expenditures for the Administrator;
- Examined relocation allowance and related expenditures and reimbursements for the Administrator;
- Evaluated a sample of travel expenditures by the MCC Director and other senior leaders;
- Evaluated expenditures which appeared to be associated with the CCSG Site Visit, including review of source documentation, evaluation of compliance with policy, and analysis of funding source;
- Evaluated approval hierarchies for the MCC Director and Administrator;
- Discussed approval hierarchies and CCSG visit expenditures with the Administrator, Chief Administrative Officer, Oncology and Radiation Therapy Services and the former MCC Financial Analyst performing approvals for the Administrator; and
- Obtained and reviewed documented approvals for Administrator travel and entertainment expenditures.

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## III. CONCLUSION

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Based on our review procedures, we concluded that, in general, internal controls for travel and entertainment expenditures appear to provide reasonable assurance that processes were compliant with University policy. Our review of a sample of high-dollar travel and entertainment events did not identify any instances of non-compliance.

However, we noted that processing and approval of travel and entertainment expenditures for the certain leaders, including the Director and Administrator, needed improvement to ensure compliance with policy. We noted one instance where the MCC Director's travel was approved by a subordinate.

Travel and entertainment expenses for the Administrator were approved by the MCC Director outside of the system, however the approval documentation was not added to the financial system. Therefore the Director’s approval was not transparent based on the review of the documentation and audit trails in the financial system.

For the recently hired Administrator, our analysis of travel, relocation, and business meeting expenditures indicated some instances of non-compliance with policy. We noted some cases where the frequency of business meals did not strictly conform to policy, and documentation could be improved for both travel and business meals to more clearly indicate the business purpose and other details of the event.

We did not identify specific non-compliance with policy related to expenditures which appeared to be related to the CCSG Site Visit. However, we noted some individual expense items which may raise question about whether the expense was the most cost effective use of University funds. This is discussed further in the section below. The events we examined were primarily funded through discretionary fund sources, which do not contain specific fund source restrictions which would limit their use. We did note, however, that although event planning costs were tracked, a comprehensive budget figure representing a funding amount which could not be exceeded had not been prepared or approved for the CCSG Site visit prior to the event.

Opportunities for improvement in controls are discussed further below.

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#### IV. OBSERVATIONS REQUIRING MANAGEMENT ACTION

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<b>A.</b>	<b>Travel and Entertainment Expenditures</b>
In some cases, travel and entertainment expenditures were not approved by individuals in roles at the appropriate level within the organization. We noted some instances where business meeting expenses were not in strict compliance with University policy, and documentation of expenditures was incomplete to fully support the business purpose and other details of the transactions.	
<b>Risk Statement/Effect</b>	
The absence of appropriate controls for financial activity increases the risk of inappropriate use of department funds and/or the lack of supporting documentation for expenditures.	
<b>Management Action Plans</b>	
MCC leadership has:	
A.1	Revised approval hierarchies and processes to ensure the Administrator’s expenses are approved by the Director, and the Director’s expenses are approved by the office of the Vice Chancellor Health Sciences. If the Director will not be approving expenses directly in financial systems, additional documentation of his approval will included as an attachment to each event.

A.2	Ensured that staff preparing travel and entertainment expenses attended training by Business & Financial Services to educate on policy requirements related to frequency and nature of events, processes for submitting expenditures, and documentation requirements.
A.3	Processed refund to the University for over-reimbursement for the one travel event (#1251751) for the Administrator.
A.4	Reprocessed the mileage travel event (#1332528) under a new trip and obtained approval from the Director of Disbursements and Travel as an exception to the University Travel Policy.
A.5	Agreed to develop budgetary guidelines for future significant events with estimated costs above a defined threshold, and ensure management accountability for adherence to established budgets. In the future, tracking costs for significant events could be performed through a designated account/fund source, to assist in monitoring costs within the budgetary guidelines.

### A. Travel and Entertainment Expenditures – Detailed Discussion

#### Travel and Entertainment Approvals

University policy (BUS-10 *Principles of Accountability with Respect to Financial Transactions*) states that “Transactions must be approved by individuals in roles at the appropriate level within the organization and who have been properly granted the appropriate authority.” This policy further defines the responsibilities of a preparer to understand all relevant regulatory requirements, the campus systems, the University policies, and the purpose of each transaction; enter accurate data into all fields on a transaction document or application system screen; and record an accurate and thorough explanation of each transaction. Approvers are responsible for inspecting each transaction to ensure the Preparer properly fulfilled his or her responsibilities and ensuring that each transaction complies with policy, regulatory, and other requirements.

In addition, University policy specific to Travel (G-28 *Travel Regulations*) and Entertainment (BUS-79 *Expenditures for Business Meetings, Entertainment, and Other Occasions*) prohibit individuals from authorizing approval of expenditures for anyone to whom they report directly or indirectly. We noted that in some cases, travel and entertainment expenses for the Director and Administrator were not in strict compliance with this requirement.

- Approval for Director Expenses – We noted that in some cases, travel reimbursement for the MCC Director was approved by a financial analyst within MCC. The MCC Director reports to the Vice Chancellor for Health Sciences (VCHS), therefore his travel should be reviewed by an individual in the VCHS Office. We examined approval templates for MCC users and noted that two users had travel expense approval templates which would allow routing of travel events to VCHS administrators. However, the user who prepared the event we reviewed did not appear to have access to this template. This may explain why the expense approval was routed internally within MCC.
- Approval for Administrator Expenses – We noted that travel and entertainment expenditures for the Administrator were not approved in the system by the individual to whom she reports (the MCC Director). The Administrator had documented approvals from the Director for the

travel events outside of the core systems but these were not attached to the event in the system.

### Travel

University policy (*G-28 Travel Regulations*) states that the total amount of all expenses and advances pertaining to a particular trip must be accounted for when submitting a travel expense claim. This policy also outlines specific documentation requirements for types of expenses, and states that when any personal leave is taken while on official travel status, the number of personal days must be specified on the travel expense claim and/or the expenses associated with such personal days of travel. We noted some exceptions related to the reimbursement of Travel expenses for the Administrator:

- A duplicate reimbursement was made to the Administrator for one travel event (#1251751) totaling \$1,040. The Administrator had not realized the discrepancy as she was under the impression that another travel event (#1332528 noted below) had been processed and the overall reimbursement amount for her events was close to her estimated reimbursement.
- Another travel event for the Administrator (#1332528) related to mileage for the Administrator's commute from her home (outside of San Diego) to UCSD, after she was hired but prior to her relocation to San Diego. While the Administrator received relocation assistance as part of her offer letter, it did not specifically address commuting for this time period. The Administrator indicated that she was requested to commute to be on-site at MCC prior to her relocation. However, *G-28 Travel Regulations* policy specifically disallows commuting expenses. The Chancellor (or designee) has the "authority to make exceptions to the University's Travel Policy, as long as the exception is in writing," and this authority has been re-delegated to the UCSD Controller. Although the MCC Director had documented approval for the travel event, the event had not received approval as an exception to the travel policy and remained in pending status. We examined the Administrator's relocation expenses which have already been reimbursed, and noted the total expense was well below the \$25,000 allotted in her offer letter, and the expense was compliant with University policy.
- We noted some instances where documentation of travel events could be improved to ensure compliance with policy. In some cases, documentation to fully justify the business purpose or expenses associated with a trip were not present in the system documentation. For example, a trip by the Administrator to an international conference included additional days at another international location, some of which may have been personal, which were not explained in the documentation. Other events indicated that the Administrator traveled a day early, without explanation of the business justification, and an airport meal which may have been unallowable per policy. Other minor arithmetic errors were noted.

Additional education for travelers (in particular those who are new to the University), and those who prepare and approve those events would improve compliance in this area. In general, the events we reviewed appeared appropriate for individual traveler based her role in the organization, in that they were primarily related to recruitment, relocation, or professional society or academic conferences related to cancer research and administration.

### Entertainment / Business Meetings

We noted that business meeting expenses for the Administrator were not always strictly compliant with University policy (*BUS 79 Expenditures for Business Meetings, Entertainment, and Other Occasions*). Policy defines business meeting expenditures as expenditures for meals or light refreshments and related services incurred in connection with meetings of employees to conduct official University business. Blink guidance states that business meetings between UCSD employees typically are held on UCSD property rather than in restaurants. Policy also sets limits on the frequency for providing meals to employees so that this is not considered a taxable benefit (meals should be limited to no more than once a month or twelve times per year, per group).

We noted several instances where reimbursements were not in strict compliance with this policy. For example, we noted two instances where the same group of employees were provided with meals more often than once per month. Also, itemized receipts were not always submitted for expenses of \$75 or more. We also noted that business meetings were often held in local restaurants, which can provide the appearance that a University business objective was not the sole purpose of the meeting.

We observed several additional payments which were initially submitted for reimbursement in MyPayments, but then subsequently cancelled after being flagged by UCSD Disbursements for reasons such as not having an itemized receipt, using the wrong event type (Meeting vs. Hosting), or because the expense was conference registration which should be processed through MyTravel. The Administrator noted that she was not initially aware of the requirement to have itemized receipts for expenses over \$75, however she has since abided by this requirement. It also appeared that users submitting expenditures on behalf of the Administrator require additional education on the use of MyPayments, proper reimbursement methods for University business expenditures, and documentation requirements.

### CCSG Site Visit

University policy (*BUS-79 Expenditures for Business Meetings, Entertainment, and Other Occasions*) states that in approving a request to reimburse an employee or to make a direct payment to a third party for business and entertainment expenses, the approving authority must determine that the reimbursement serves a clear and necessary business purpose or benefit to the University, and the expenditure of funds is reasonable, cost effective, and in accordance with the best use of University-administered funds. In addition, newly issued policy (*BUS-10 Principles of Accountability with Respect to Financial Transactions*) articulates financial stewardship responsibilities including “spending money that reflect the action of a prudent person and monitoring expenditures in a way that the members of the general public would expect.”

We analyzed information available in financial ledgers to identify expenditures which appeared to relate to the CCSG Site Visit in October 2018. Significant expenditures based on review of the financial ledgers related to the CCSG Site Visit are summarized below:

Index	Ledger Date	Vendor Type	Vendor Total
CCTFFGE & CCTDRXP	11/14/18 & 11/16/18	Event Production	\$119,274.30
MCH8910	8/20/18 & 10/29/18	Event Planning & Management Services	\$33,456.68
CCTDRXP	12/13/2018	Caterer	\$28,146.45
CCTFFGE	11/26/2018	Branding / Graphic Design	\$19,361.11
CCTFFGE	11/30/18 & 1/31/19	Florist	\$14,772.76
CCTFFGE	12/19/18 & 1/31/19	Furniture Rental	\$10,686.87
CCTFFGE	11/26/2018	Party Rental	\$5,680.37
CCTFFGE	Various	Miscellaneous Transportation, Parking, and Supplies	\$4,439.76
			\$235,818.30

In addition to the Site Visit held in October 2018, an External Advisory Board (EAB) Meeting was held in September 2018 to serve as a “Mock” Site Visit. Some expenditures related to the Mock Site Visit were included in the purchase agreements with the vendor above. For example, both the Production Vendor, Florist, and Furniture Rental were hired for the Mock Site Visit and the Site Visit, so the totals above essentially reflect services for two occasions.

We evaluated documentation associated with the above expenditures and noted that the individual expenses were compliant with policy. However, certain aspects of these expenditures might raise question of whether the expenditure was the “best use of University-administered funds” as indicated in policy. For example, the Caterer was based on the Los Angeles area, and the invoice included \$4,208 in travel, hotel, and per diem costs for catering staff.

University policy does not clearly define the standards which determine whether an expenditure is “reasonable, cost effective, and in accordance with the best use of University-administered funds” or “in a way that members of the general public would expect.” Management judgement is relied upon to make these determinations. Payment of travel costs for a caterer does not appear to be prudent on its face, and the cost of production services appeared to account for over half of the expenses for this event (including a “rehearsal” at the EAB Mock Site Visit). While this may appear to be a high dollar figure, MCC leadership indicated that the business need for success at the event was high to secure future grant funding. Interviews also indicated that there was some dissatisfaction with the local caterer at the Mock Site Visit, which prompted a last-minute change to another vendor which had been used by the Event Planner in the past, and had delivered high quality services on prior occasions. We noted that the vendors used for Event Planning, Production Services, Floral, Branding, and Furniture Rental had all been used in the past by MCC and other campus units. The need to ensure a successful event appears to have justified the cost of the event in the opinion of management, given the strategic importance of a successful site visit and renewal of the CCSG to the MCC and the University as whole.

We considered whether a comprehensive budget was available for the event. We noted that only the Event Planning costs were budgeted through the Medical Center (at \$35,000) and actual costs for these services were lower than budget. However, a budget figure representing a funding amount which could not be exceeded was not determined for the CCSG Site Visit prior to the event. We learned from interviews that the event preparations evolved significantly in the several weeks leading up to the event, and logistical and other considerations resulted in escalating costs. The Event Planner did provide a summary of vendor cost estimates to MCC leadership which saw multiple iterations during

this time, and there were at least five updates to these cost estimates prior to and after the event. Specific significant expenditures (such as the Production Vendor and Caterer) were approved by the Director either directly in the financial system, or via emails. Other individual vendor approvals were processed by various MCC personnel, but generally agreed to the cost estimate received by MCC leadership.

The events we examined were primarily funded through discretionary fund sources, which did not contain specific budgetary requirements or fund source restrictions which would limit their use. The Cancer Center) indexes referenced above had deficits as of May 2019, however the respective fund-organization balance for both were positive. We also noted that, due to administrative transitions within MCC prior to the event, overall accountability for CCSG site visit expenses may have been unclear. The differing fund sources from which expenditures were paid also limited visibility into the overall costs of the event. In the future, articulating budgetary guidelines for similar events, determining a not-to-exceed amount, and establishing methods to track event costs, could prevent potential disconnects between management expectations and actual expenditures.