



**THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE**  
**Chancellor’s Travel, Entertainment & University Residence**  
**Maintenance Expenses Audit**  
**Fiscal Year 2020**

**SUMMARY**

**OBJECTIVE:**

The objective of this audit is to determine whether travel, entertainment, and university residence maintenance expenses reimbursed to, or paid on behalf of, The University of Texas (UT) System Chancellor and his spouse are appropriate, accurate, and in compliance with applicable statutes (federal and state) and UT System policies and procedures, specifically, UT System Board of Regents’ *Rules and Regulations* (Rule) 20205: Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences.

**CONCLUSION**

Overall, travel, entertainment, and university residence maintenance expenses for the Chancellor and his spouse were appropriate, accurate, and in compliance with applicable criteria.

 **None**

**OBSERVATIONS**

The Chancellor’s Office has proper internal controls in place over the relevant processes, which are functioning as intended. Minor enhancement items were separately communicated to management.

**OBSERVATION RATINGS**

<b>Priority</b>
<b>High</b>
<b>Medium</b>
<b>Low</b>

There are no Priority or High rated audit observations.<sup>1</sup>

The engagement methodology can be found at the end of this report.

<sup>1</sup> The UT System Internal Audit finding Classification System includes Priority, High, Medium, or Low-level findings. A Priority Finding is defined as “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.” Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated.



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# METHODOLOGY

This engagement was conducted in accordance with the guidelines set forth in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

## BACKGROUND

The Chancellor and his spouse are often called upon to travel on behalf of UT System, to extend official hospitality to visitors, and to entertain guests in conjunction with alumni and development activities, campus events, and other official functions. He is also required, as a condition of employment, to live in Bauer House—the official residence of the UT System Chancellor. UT System Administration makes reimbursements to, and payments on behalf of, the Chancellor and his spouse for travel and entertainment expenses and expenses for the maintenance of Bauer House incurred as part of their official duties. To ensure transparency and accountability, the Chancellor must submit annual reports of travel and entertainment expenses and of expenses for the maintenance of Bauer House to the Office of the Board of Regents (BOR) for review by the General Counsel to the Board of Regents and by the Chairman of the Board of Regents. This audit was conducted as part of the Fiscal Year (FY) 2020 audit plan as required by Rule 20205.

## SCOPE AND PROCEDURES

The audit scope included travel, entertainment, university residence maintenance expenses for the period September 17, 2018 (Chancellor’s start date) through February 29, 2020. In accordance with Rule 20205, the annual reports submitted to the BOR do not include expenses that are associated with events at which more than 10 individuals are present. As such, these expenses were not included in the scope of this audit.

To achieve our objective, the System Audit Office reviewed applicable criteria, noted below, and tested samples of travel (including use of UT System and leased/chartered aircraft), entertainment events, and university residence maintenance transactions to determine whether expenses were appropriate, accurate, and compliant.

## CRITERIA

Compliance requirements and guidance for travel and entertainment expenses are provided by various state and federal statutes and rules and regulations promulgated under those laws. State compliance requirements and guidance are provided by the State of Texas Travel Regulations Act, the General Appropriations Act, and official interpretations of the Travel Regulations Act published by the State Comptroller of Public Accounts.

State and federal compliance requirements are reflected in various UT System policies and procedures including, but not limited to, Rule 20205 and Rule 20601: Aircraft Use, UTS 120 Spousal Travel Policy, UTS 190 International Travel Policy, HOP 2.1.1 Travel Policy, and HOP 2.1.2 Entertainment Expenses and Guidelines on Other Uses of Institutional/Gift Funds.

Principally, Rule 20205 requires that the travel, entertainment, and university residence maintenance expenses reimbursed to or on behalf of the Chancellor and his spouse are sufficiently documented, reimbursed timely, accurately reported, properly approved, and have appropriate business purposes.

## REPORT DATE

September 14, 2020

## REPORT DISTRIBUTION

To: James B. Milliken, J.D., Chancellor  
Cc: Kevin P. Eltife, Chairman of the Board of Regents  
Francie A. Frederick, J.D., General Counsel to the Board  
Art Martinez, Chief of Staff  
UT System Administration Internal Audit Committee  
External Agencies (SAO, LBB, Governor’s Office)