

Internal Audit Report

Executive Travel and Entertainment Expenses Audit

July 2020

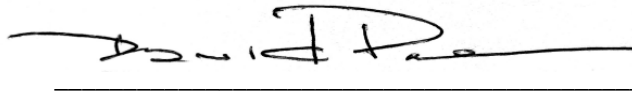
Distribution – Executive Travel and Entertainment Expense Audit

To: Teik Lim *President ad interim, UTA*
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Auditor in Charge:
Greg Baviera *Senior IT Auditor II, UTA*

Background

The UT System Board of Regents' Rule 20205: *Expenditures for Travel and Entertainment by Chief Administrators and for the Maintenance of University Residences* audit requirements were expanded in 2013 to include an audit of the Executive Travel and Entertainment expenses incurred by each institution's executives. The audits are suggested to be conducted every two years, or more frequently based on the annual risk assessment process. UT System Audit is responsible for conducting audits of institutional presidents.

At The University of Texas at Arlington (UTA), the Office of Procurement and Payment Services (Procurement), reporting to the Chief Financial Officer and Vice President, is responsible for processing all travel and entertainment expenditures for the University. Employees are responsible for ensuring that their travel and entertainment expenses comply with University policies and procedures and support the mission of UTA. Travel and entertainment expenses for all employees must be approved by the employee's supervisor before submission to Procurement for processing.

University Procedures applicable to this audit are:

- BF-T-PR1 Travel Authorizations, Travel Cash Advance, Travel to Washington D.C. – Local and State Appropriated Funds
- BF-T-PR2 International Travel - Local and State Appropriated Funds
- BF-T-PR3 Meals, Lodging, and Misc. Travel Expenses for Contiguous U.S. Travel - Local Funds Only
- BF-T-PR5 Transportation Options in Travel Status
- BF-T-PR6 Travel Reimbursement – Timelines and Receipting
- BF-T-PR7 Travel for Persons Other Than Faculty and Staff Does Not Apply to State Appropriated Funds [On 8-13-2016]
- BF-T-PR8 Travel Agencies and Concur
- BF-T-PR10 Travel Using State Appropriated Funds

Audit Objective, Scope & Ranking Criteria

Audit Objective





The objective was to determine whether executive travel and entertainment expenses were appropriate, accurate and in compliance with the policies, procedures, laws and regulations established by UT System, UTA, as well as federal and state government.

Audit Scope

The scope of the audit included travel and entertainment expenses reimbursed to and paid on behalf of UTA executives (President’s Leadership Team, Deans and Department Chairs) from September 1, 2019 through March 20, 2020.

Ranking Criteria

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for these rankings are as follows:

	Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
	High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
	Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
	Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

None of the findings from this review are deemed as a “Priority” finding.




Summary – Executive Travel and Entertainment Expense Audit

The audit methodology included verification of travel authorizations and travel expense reimbursements through review of supporting documentation utilizing UTShare (the PeopleSoft Financial Management System).

Overall, review of executive management travel and entertainment expenses disclosed travel and entertainment expenses for UTA Executives:

- were generally in compliance with the applicable policies and procedures;
- were supported by appropriate documentation;
- had a reasonable business purpose.

This level of compliance can be attributed to end-user training and the multiple levels of review associated with the travel and entertainment filing process. However, we noted a high percentage of exceptions were granted for the sample of travel expenses for UTA Executives. Further details are outlined in the *Observation* section on the following page. Other less significant opportunities for improvement were communicated to management separately.

1 Observations	 High	0
	 Medium	1
	 Low	0

We appreciate the courtesy and cooperation received from both Business Affairs and Procurement & Payment Services throughout this audit.

Observation 1 – High Volume of Exceptions Granted

Medium

The Business Affairs Exception Tracking tool (BAET) logs exceptions associated with Travel & Expenses. A high-level analysis was used to calculate the exception rate for the full population of expense reports filed from September 1, 2019 through March 20, 2020 to determine the average exception rate. Based on an analysis of this data, approximately 1 in 16, or 6%, of total expense reports submitted had an exception granted during the period reviewed.

However, for the sample of travel expenses reviewed for UTA Executives, exceptions were processed for 8 of the 18 (44%) reports sampled. Exceptions are requested for several reasons including airfare seat upgrades, exceeding GSA hotel rates and alternative flight options.

Exception requests are processed daily by the Senior Director of Procurement and Payment Services. The review takes 1 to 2 hours per day. Additional staff resources may be also used in the exception review process.

An audit recommendation was previously identified in the "Travel Department Process Review" report filed in January 2019 (UTA18-09) concerning the high number of exceptions processed. This issue was closed in February 2020, as a result of management attesting that there was a dramatic drop in number of exceptions, which at that time averaged approximately 2-3 per day. Based on our current review, the number of exceptions granted has increased over time to a level requiring additional management attention, especially in the area of executive travel.

Observation 1 – High volume of exceptions granted (Cont'd)

Medium

Recommendation:

1. Procurement should review the total population of exceptions related to expense reports to determine whether changes to procedures are warranted. This trend analysis should be performed annually, span four rolling quarters, and be performed no later than Q3 of the fiscal year.
2. Procurement should modify the existing training aids to conform with procedures and to further clarify the exception process and required supporting documentation.
3. Recognizing that the Business Affairs Exception Tracker (BAET) lacks the functionality to systemically enforce policy and procedures, Procurement should continue its search for new software and implement it at the earliest possible date.

Management Response:

1. Procurement and Payment Services will continue to perform analysis of travel and expense exceptions on an annual basis as required by Audit 18-09, Finding #1, as an ongoing practice. The analysis will be reviewed for high volumes of exceptions submitted by departments and/or concerning specific individuals/travelers.
2. Procurement and Payment Services worked with Knowledge Services to ensure that training aids are up-to-date and conform to the published travel and expense procedures and published the updates on 5/1/2020.
3. In recognizing that UTShare does not facilitate expenditure recording in accordance with published travel and expense procedures, and as a continuation to Audit 18-09, Finding #5, Procurement and Payment Services will renew discussions with SAP/Concur for an efficient and user-friendly software for travel and expense. These discussions will occur in the fall of 2020 and continue into the spring 2021.

Target Implementation Date: 05/01/2021

Responsible Party: Senior Director of Procurement & Payment Services