

UNIVERSITY OF CALIFORNIA  
OFFICE OF THE UNIVERSITY AUDITOR  
OFFICE OF THE PRESIDENT

SENIOR MANAGEMENT GROUP (SMG)  
TRAVEL AND ENTERTAINMENT EXPENSES  
UNIVERSITY OF CALIFORNIA OFFICE OF THE PRESIDENT  
Internal Audit No. 06A012A  
July 2006  
Revised September 2006

Audit Conducted by:  
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# Executive Summary

## Introduction

We have completed a review of travel and entertainment expenses for members of the Senior Management Group (SMG) at the University of California Office of the President (UCOP). The members of the SMG covered by this review included Principal Officers of the Regents, Officers of the University, and those positions that require exercising a high degree of independent judgment in the development of Universitywide policy and program direction and accountability for long term results.<sup>1</sup> At UCOP, there were 63 individuals who were included as members of the SMG for purposes of our review. For Fiscal Year 2004-2005, travel and entertainment expenditures for those individuals totaled approximately \$461,000.

## Objectives and Scope

The objective of this review was to ensure the travel and entertainment expenditures incurred by the members of the UCOP SMG complied with University policy and were for appropriate University business purposes. In addition, the expenditures were reviewed to determine if there was any taxable benefit provided to the individual. The scope of the review included travel and entertainment expenditures reimbursed to the senior managers during Fiscal Year 2004-2005.

To accomplish the objectives, we sent a travel and entertainment questionnaire to members of the SMG, reviewed responses to the questionnaires noting any responses requiring follow-up, obtained and analyzed data looking for transactions that appeared to be large or unusual, selected a sample of transactions based both on the results of our analytical review and judgment, and obtained and reviewed supporting documentation for the selected transactions. The sample we selected consisted of 62 travel vouchers and 25 entertainment expense vouchers.

## Overall Conclusion

Based on the results of our testing updated for the effects of the additional documentation received in September 2006, we conclude that UCOP SMG travel and entertainment vouchers generally complied with University policies. We did not identify any transactions that would have provided a taxable benefit to the senior manager. However, complete supporting or voucher documentation was not always readily accessible or provided, and some department approval processes limit one's ability to rely on electronic database records and activity trails.

## Management Actions

Please see the attached Appendix 1 for the action plan. This response outlines a comprehensive approach that will provide for new and continued training sessions, the development of useful tools, and multiple discussion formats where audit issues and policy adherence can be discussed. A broad and integrated response is necessary for addressing the central themes: effective training, proper approvals, and complete justification and full documentation.

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<sup>1</sup> Personnel Policies for Staff Members, Appendix II, Senior Management Personnel Policies, Introduction

## Opportunities for Improvement and Action Plans

### 1. Complete voucher packages could not always be obtained.

During the period covered by this audit, UCLA's Accounting Office was the official repository for the original voucher packages; however, they were not always able to provide a complete voucher package. As a result, there were nine items selected for our sample that we were not able to test in their entirety<sup>2</sup>. We also requested assistance from the departments to facilitate the review process and found some departments maintained a complete copy of the voucher and supporting documentation, while others had early copies of the vouchers that lacked the approver's signature, and others had receipts only. The inconsistent practices with regard to the retention of voucher documentation could result in the University not being able to provide requested documentation timely or at all. Establishing clear expectations for maintaining complete voucher packages in support of travel and entertainment expenditures would ensure the University is able to produce such documents if necessary.

***Action Plan:** As noted above, during the period of time under audit, UCLA was the official "office of record" for travel and entertainment vouchers and supporting documentation. To the extent that certain individuals, or departments, maintained duplicate information, it was not required under the University's policy. However, with the implementation of an enhanced version of "Express", an online travel reimbursement system, UCOP departments are now the official offices of record for the travel expense documentation, not UCLA. So while the responsibility for completeness of voucher packages was formerly with UCLA, it is now the responsibility of each UCOP department. Therefore, comments below are directed prospectively.*

*Specific to the point, in conjunction with the training sessions for travelers and for proxies related to the implementation of the enhanced version of the "Express" system, departments have been directed to make sure that they have complete documentation on file. While this point has been emphasized, by August 15, 2006, we will reinforce the department's responsibility in writing with each Department Administrator.*

*More broadly, as part of a comprehensive action plan, policy and process issues will be periodically reviewed with Department Administrators. Toolkits will be created for travel and entertainment processors that will help with handy references to governing policies and obtaining appropriate approvals. These will be designed in a simple grid or matrix format which can be laminated and distributed to all units. These toolkits will also include a one sheet document entitled 'Guiding Principles for Entertainment and Travel' which will help to reinforce policy compliance and promote sound stewardship of University resources. We anticipate additional training of processors and reviewers will be completed by December 31, 2006.*

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<sup>2</sup> The nine vouchers totaled approximately \$3,500. Sufficient documentation was obtained to test most attributes, and pursuit of the outstanding information was not considered necessary.

*Finally, Budget Administration will begin receiving reports from UCLA Corporate Financial Systems in the fall of 2006 as part of the 'Express' system. These will be reviewed, researched, and any necessary follow-up action undertaken.*

*The Director of Budget Administration will be responsible for ensuring that the actions described above are implemented.*

**2. Adequate supporting documentation for travel and entertainment expense vouchers was not always readily available or provided.**

Travel and entertainment policy requires submission of a voucher showing a clear business nature/purpose, the date and amounts of expenses incurred, and written justification for exceptional items. After our initial requests and follow-up, 13 travel and entertainment vouchers incurred by the SMG members lacked some documentation in the form of an appropriately authorized travel or entertainment expense voucher and/or written justification for exceptional items (for example, use of limousine services in lieu of a shuttle or per person limits exceeded). An additional 2 vouchers included a very generic business nature/purpose that did not provide sufficient information for an independent third party to determine the propriety of the expenditures.

**September 2006 addendum for subsequently provided documentation:** In September 2006, subsequent to the release of the audit report, documentation evidencing appropriate authorization for travel and entertainment vouchers and/or written justification for exceptional items was provided to us and reviewed for 11 of the 13 items referred to as exceptions above, resulting in 2 vouchers totaling approximately \$1,100 for which we were unable to obtain or review evidence of appropriate authorization. Also, for the 2 vouchers referred to in the paragraph above, documentation containing a fuller description of the business purpose sufficient to determine the propriety of the expenditure was provided.

***Action Plan:** Please see the attached action plan (Appendix 1) which includes references to training sessions that will be conducted and that will include emphasis on the need for proper documentation, clear statements of business purposes of the travel/entertainment expenses, and the need for attaining proper approvals. The action plan is a description of a comprehensive response to providing the requisite training and tools for travelers, proxies, and reviewers. We anticipate completing this training for all affected individuals no later than December 31, 2006.*

*The Director of Budget Administration will be responsible for ensuring that the actions described above are implemented.*

**3. Some departments' approval processes limit the ability to rely on electronic database records and activity trails.**

Travel and entertainment policy requires the approver must be either a supervisor or someone at a higher classification than the individual claiming the expenditure. The online travel

system provides for an electronic signature authority process in which some departments delegate this responsibility to persons who directly report to individuals submitting vouchers for approval. To ensure compliance, some departments maintain a hardcopy of the voucher with the appropriate approving official's signature and annotate the electronic version in the comments section. However, we found 15 cases, all within one department, where travel and entertainment expense reimbursements for SMG members appeared to lack the proper level of approval on the electronic version because no annotation was noted. Review of the hardcopy vouchers documented the appropriate approving official's signature.

Travel and entertainment policy requires written delegation of authority for approving exceptional travel and entertainment. Although the vouchers were approved at an appropriate level, we were unable to confirm that written delegations existed for those approvers in four cases.

**September 2006 addendum for subsequently provided documentation:** In September 2006, after the release of the audit report, we identified another department whose reimbursements appeared to lack the appropriate level of approval because annotations noting the existence of hardcopy records were not referenced in the electronic version.

***Action Plan:** Generally, the attached action plan (Appendix 1) includes references to training sessions that will be conducted and include emphasis on the need for proper documentation, clear statements of business purposes of the travel/entertainment expenses, and the need for attaining proper approvals. The action plan is a description of a comprehensive response to providing the requisite training and tools for travelers, proxies, and reviewers.*

*The Director of Budget Administration will be responsible for ensuring that the actions described above are implemented.*

**OFFICE OF THE PRESIDENT  
ACTION PLAN:**

**FOSTERING POLICY AWARENESS AND COMPLIANCE AND  
THE IMPORTANCE OF FOLLOWING PROPER PROCEDURES**

Recent reviews of travel and entertainment expenses and reimbursements have resulted in the identification of several important opportunities for improvement. In order to address these opportunities for improvements, and to foster policy awareness and adherence at the Office of the President (OP), a broad action plan has been developed. This plan offers an integrated approach to the implementation of critical actions in response to recent audits and related analyses.

There are three central themes which will be addressed by this action plan which is designed to promote a clear understanding of appropriate policies and effective procedures:

- Effective training
- Proper approvals
- Complete justification and full documentation

Budget Administration will work with OP units in order to ensure that the elements of the action plan are implemented constructively and successfully.

**July 2006**

- **Two letters will be released by the VP – Financial Management that will reference the audit analysis and the subsequent action plan. The first will go to all of the senior executives at OP with a brief summary of the action plan. The second letter will be distributed to the OP community-at-large** and will emphasize the need for policy awareness and compliance. This will state that adherence to appropriate business practices and current policies is essential and expected for OP. These letters will provide the explanation for the various elements of the activities that will be sponsored as part of the overall action plan.

**July 2006 – Project Completion by September 29, 2006**

- **Establish a small workgroup of personnel from Budget Administration and the Audit Office, along with two skilled Department Administrators, to be charged with creating an ‘Executive/Manager’s Toolkit’** for effective reviewing and approving. A similar toolkit will be created for travel and entertainment processors that will help with handy references to governing policies and obtaining appropriate approvals. These will be designed in a simple grid or matrix format which can be laminated and distributed to all units. There are several excellent models that have been developed by UCLA Corporate Financial Services which can be adapted for OP use. These toolkits will also include a one sheet document entitled ‘Guiding Principles for Entertainment and Travel’ which will help to reinforce policy compliance and promote sound stewardship of University resources.

**October 2, 2006 - December 18, 2006**

- **Mandatory training** for all approvers of travel and entertainment expenses will be conducted. Reviewers are key to maintaining the integrity of these processes and need to be provided with useful knowledge, training, and tools. These will be sponsored by Budget Administration in collaboration with other units at OP, and will be focused sessions held in large conference rooms, rather than the training rooms. This will allow more training opportunities and support an abbreviated training schedule. The toolkits will be distributed and the main points discussed. The sessions will include several case studies – examples of complicated reimbursements - so that the more complex issues and policy review can be presented and discussed.

- **‘Refresher’ training sessions for travelers and proxies** will be offered; these sessions can take place in a large conference room, rather than the training rooms so that large groups can be accommodated as soon as possible. The need for proper justifications for exceptions to policy, and the need for full documentation will be central points covered during these sessions.

#### **January 2, 2007**

- Personnel who have not been through the mandatory approving session or the ‘basic’ preparer training sessions will not be allowed in the system. Budget Administration will monitor the process and necessary system settings.

#### **August 2006 – June 2007**

- **Sessions for new preparers and reviewers will continue as needed** and all the policy issues will be covered, emphasized and reinforced; both the relevant policies that govern the action, as well as the proper procedures and retention of documents. The need for proper documentation and justifications for exceptions to policy will be highlighted, as will other important audit issues.
- **Similar outline of events for the Accounts Payable Systems (BruinBuy, PAC) will be scheduled and conducted.** Sessions will address several key audit issues, both past and current such as ensuring the proper use of object codes. Process and procedures will be discussed in a conference room training session so there will be no space constraints or competition for computer training rooms.
- **Continue collaboration with UCLA Corporate Financial Services on Open Houses** that include personnel from UCLA Purchasing, Travel, and Accounts Payable brought on-site to help UCOP personnel with questions and problems. This has been proven an effective format for OP and we will endeavor to increase the number of events during 2006-07, and any and all relevant audit issues will be raised, discussed, and highlighted.
- **Identify and work directly with specific units** that have proven patterns or a history of difficulties with reimbursements, exceptions to policy, and/or proper documentation packages and/or have undergone staff turnover. Budget Administration will work with these units on an individual basis as needed to ensure that personnel have the knowledge and training to uphold compliance with University policy.
- **Conduct Department Administrators’ Meetings and Workshops** as in past years and currently. Apart from general updates, these will be planned with specific themes, such as ‘best practices’. One or more sessions will cover ‘accountability in a decentralized environment’. It is important that the DAs understand that, as reflected in the ‘UCOP Financial Policy’, they have a central role in developing and maintaining a structure of accountability that ensures qualified people are performing tasks responsibly with the appropriate knowledge and authority.
- **On-going Monitoring and Oversight will be handled in several ways throughout the fiscal year.** During the course of ‘routine’ business, Budget Administration is often made aware of incorrect or inappropriate transactions. These are addressed immediately. For ‘Express’, as the official office of record, queries will be implemented quarterly at OP to sample transactions. UCLA Corporate Financial Services, will provide regular reports as of the fall of 2006 which have been developed as part of the newly enhanced ‘Express’ system, and these will be reviewed and researched and follow-up done as necessary. Further monitoring and management oversight activities will be developed with the Department Administrators as necessary in order to respond to policy adherence and process integrity within the decentralized environment in which OP units operate.