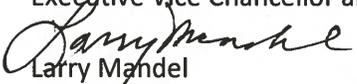


## MEMORANDUM

**Date:** July 28, 2015

**To:** Steve Relyea  
Executive Vice Chancellor and Chief Financial Officer

**From:**   
Larry Mandel  
Vice Chancellor and Chief Audit Officer

**Subject:** **Audit Report 14-35, *Executive Travel, Systemwide***

We have completed an audit of *Executive Travel, Systemwide*, as part of our 2014 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendation. The management response has been incorporated into the final audit report, which has been posted to the Office of Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by chancellor's office personnel over the course of this review.

c: Timothy P. White, Chancellor



# EXECUTIVE TRAVEL

## **Systemwide**

Audit Report 14-35  
June 24, 2015

## EXECUTIVE SUMMARY

### OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of existing policies and procedures related to executive travel and to assess compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus procedures.

### CONCLUSION

Based upon the results of the work performed within the scope of the audit, the administrative and financial controls surrounding executive travel were sufficient to meet the objectives of this audit.

The audit revealed that although comprehensive systemwide travel policies and procedures existed, some improvements should be made to ensure that clear and consistent guidance is provided to the campuses in areas such as spousal travel, car allowances, travel authorizations, and the completion of travel expense claims. Based on discussions with CO management, efforts have been made during the past two years to update the travel policy and procedures; however, they have not yet resulted in a finalized and vetted policy.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. SPOUSAL TRAVEL POLICIES AND PROCEDURES

#### OBSERVATION

Systemwide policies and procedures relating to spousal travel were inconsistent and unclear.

We found that:

- California State University (CSU) Travel Procedures and Regulations (Travel Procedures) stated that travel expenses for spouses could not be charged to university funds. However, executive offer letters, which were based on templates provided by systemwide Human Resources, stated that university funds could be used to pay for appropriate business travel of spouses. We also noted that the offer letters usually designated spouses as appointed volunteers of the CSU; however, this practice was not documented in CSU policy.
- The Integrated California State University Administrative Manual (ICSUAM) §3601.01, *Travel Policy*, stated that the policy applied only when the travel expenses for official university business were paid for by university funds. This appeared to contradict the related CSU Travel Procedures, which stated that spousal travel could not be paid for from university funds, yet went on to discuss requirements for reimbursement of spousal travel.
- It was unclear in the above policies whether spouses needed to obtain pre-authorization for travel and submit travel expense claims in the same manner as university employees.

Clear and consistent policies and procedures for spousal travel improve compliance with CSU travel requirements.

#### RECOMMENDATION

We recommend that the CO review and update existing policies and procedures related to spousal travel to address the items noted above.

#### MANAGEMENT RESPONSE

We concur. The CO will review and update existing policies and procedures related to spousal travel to address the items noted above, or document the management decision why other action has been taken. This recommendation will be completed by September 2015.

### 2. CAR ALLOWANCES

| Systemwide policies and procedures addressing car allowances needed improvement.

We found that although there was a policy addressing the use and purpose of car allowances for campus presidents and CO executives, there was no policy to address the use and purpose of car allowances for other employees who might have these allowances, such as campus vice presidents. In addition, although the existing policy precluded employees with car allowances from claiming local mileage reimbursements, it did not address whether employees were precluded from being reimbursed for using rental cars for local travel.

Clear and complete policies and procedures for car allowances improve compliance with CSU travel requirements and help to ensure that reimbursed travel expenses are appropriate.

**RECOMMENDATION**

We recommend that the CO review and update existing car allowance policies and procedures to address the items noted above.

**MANAGEMENT RESPONSE**

We concur. The CO will review and update existing car allowance policies and procedures to address the items noted above, or document the management decision why other action has been taken. This recommendation will be completed by September 2015.

**3. TRAVEL AUTHORIZATIONS**

Systemwide policies relating to travel authorizations were inconsistent or in need of review.

We found that systemwide policies and procedures were unclear on whether travel authorizations were required if no university expenses would be claimed, whether the use of blanket travel authorizations was appropriate, and whether there was a specific level of authority required to pre-approve travel. In addition, we noted an inconsistency between Executive Order 688, *Delegation of Authority – Approval of Travel Requests*, which states that campus presidents are not required to receive pre-approval for domestic trips, and ICSUAM §3601.01, which requires all employees to receive pre-approval for both domestic and international trips without an exception for campus presidents.

We also noted in discussions with CO management that although documented travel authorizations used to be required to ensure insurance coverage for employees on travel status, this is no longer the case, and there may be value in re-evaluating the requirement for documented pre-approval.

During the CO Executive Travel audit, we recommended that management review current policies and procedures relating to travel authorizations to determine whether pre-approvals are still of value to the CSU and update policies and procedures as appropriate. As such, we will not make a commensurate recommendation in this audit report and will track resolution of the issue in that particular audit.

#### 4. TRAVEL EXPENSES

##### **OBSERVATION**

Systemwide policies and procedures relating to the processing of travel expenses needed improvement.

We found various areas in the travel policy that needed clarification, such as the use of transportation upgrades that were still considered economy class (for example, economy plus); the need to include with travel expense claims departure and return dates and times, separate lost receipt certifications, and receipts for prepaid expenses that had already been submitted through other accounting processes; and the appropriateness of having the campus chief financial officer, who reports directly to the campus president, approve the president's travel expense claims, or further delegate this approval authority to another employee.

We also noted that for prepaid travel expenses, such as expenses directly billed to the university for airfare and rental cars, there was no requirement for campuses to perform a reconciliation of these expenses to related travel expense claims, or to implement other compensatory controls to ensure that these charges were for legitimate business travel, that the traveler actually went on the trip, and that reimbursements were not duplicated.

In addition, we noted that in situations where personal travel was taken in conjunction with a business trip, *CSU Travel Procedures* required that the traveler specify only the number of personal days that were taken, rather than identify the specific dates of personal travel. This made it difficult to ensure that absence management records were correct and that personal travel expenses were not reimbursed upon review of these travel claims.

Clarifying the necessary elements for completing travel expense claims, removing inconsistencies, and implementing controls surrounding costs directly billed to the CSU improve compliance with CSU policies and procedures and help to ensure that reimbursed travel expenses are for legitimate business purposes.

##### **RECOMMENDATION**

We recommend that the CO review and update current policies and procedures relating to the processing of travel expenses to address the issues noted above.

##### **MANAGEMENT RESPONSE**

We concur. The CO will review and update current policies and procedures related to processing of travel expenses to address the issues noted above, or document the management decision why other action has been taken. This recommendation will be completed by September 2015.

## GENERAL INFORMATION

### BACKGROUND

The CSU pays or reimburses travel-related expenses that are ordinary, reasonable, not extravagant, and necessary to conduct official university business. Official university business may include activities that contribute to any one of the university's major functions of teaching, research, or public service, such as attendance at conferences, conventions, and business meetings; development activities; and recruitment of staff and students.

Executives at the CSU generally follow the same rules and regulations that govern the travel of other CSU employees. Executives, as defined in this report, include the president and all vice presidents/executive vice presidents at the campus level, and the chancellor and all vice chancellors/executive vice chancellors at the CO.

Although the CSU does not have specific executive travel policies, certain aspects of existing travel policies relate to or pertain directly to executive travel.

Travel expenses for executives can be paid or reimbursed in a variety of ways. Campuses commonly pay for rental car and airfare expenses directly via a centralized travel agency or travel account, as well as for any expenses paid on a university-liability travel card. When the traveler pays his or her own expenses and must be reimbursed by the university, he or she submits a travel expense claim and supporting receipts and documents. Additionally, in some cases, auxiliary organizations may process or pay for travel expenses for executives.

### SCOPE

Our audit and evaluation included the audit tests we considered necessary in determining whether administrative and financial controls are in place and operative for the CSU system. The audit focused on procedures in effect from January 1, 2012, through November 17, 2014.

During the course of the audit, we visited the CO and five campuses: Channel Islands, Long Beach, Pomona, San Diego, and San José. We interviewed CO and campus personnel and audited procedures in effect at that time. CO- and campus-specific findings and recommendations have been discussed and reported individually.

We focused primarily on the internal administrative, compliance, and operational controls over executive travel activities. Specifically, we reviewed and tested:

- Administration of university business travel, including defined responsibilities, current policies and procedures, and adequate training.
- Processes to track and monitor travel advances.
- Payments or reimbursements of travel expenses for executives and their spouses or domestic partners, if applicable, for adherence to campus and CSU policy, including advance authorization, documented business purpose, and supporting receipts and documentation.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

## CRITERIA

Our audit was based upon standards as set forth in CSU Board of Trustee policies; CO policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- CSU Travel Procedures and Regulations G-001
- Executive Order 688, *Delegation of Authority – Approval of Travel Requests*
- ICSUAM §3103.01, *Disbursements*
- ICSUAM §3601.01, *Travel Policy*
- CSU Risk Management 2013-01, *International Travel and Requirement to Purchase Insurance*
- Technical Letter Human Resources 2014-13, *Executive Compensation: Automobile and Housing Allowances*
- Government Code §13402 and §13403

## AUDIT TEAM

Senior Director: Michelle Schlack  
Senior Audit Manager: Wendee Shinsato  
Senior Auditors: Cindy Merida and Carolyn Phu