AUDIT AND FINANCE COMMITTEE
Tuesday, October 21, 2014

SUBJECT: REVIEW OF AUDITS: FAU 13/14-5, AUDIT OF TRAVEL FOR THE PERIOD
OCTOBER 1 THROUGH DECEMBER 31, 2013.

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

Primary objectives of this audit were to determine: 1) the adequacy and effectiveness of internal controls over the travel function to ensure all official university travel was appropriately authorized, and travel expenditures were properly approved and supported, and processed in an accurate and timely manner, and 2) whether travel operations were conducted in compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices.

Based on our audit, we found that the university’s travel operations were not consistently conducted in compliance with all applicable laws, rules, regulations, policies and procedures and sound business practices. Four recommendations were made to address our findings.

IMPLEMENTATION PLAN/DATE

Three of four recommendations were scheduled to be implemented by September 30, 2014 and the fourth by December 31, 2014.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Audit Report FAU 13/14-5

Presented by: Mr. Morley Barnett, Inspector General

Phone: 561-297-3682
Office of Inspector General

Audit Report: Travel
For the Period of October 1 through December 31, 2013

Use of Report
We are employed by Florida Atlantic University. This report is intended solely for the internal use of the State University System and is not intended to be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.
REPOR ON THE AUDIT OF
TRAVEL

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MEMORANDUM

TO: Dr. John Kelly  
    President  
FROM: Morley Barnett  
      Inspector General  
DATE: June 23, 2014  
SUBJ: AUDIT OF TRAVEL

In accordance with the University's Internal Audit Plan for fiscal year 2013-14, we have conducted an audit of the travel function at Florida Atlantic University for the period October 1 through December 31, 2013. The report contained herein presents our scope and objectives and provides comments and conclusions resulting from procedures performed.

We have made four recommendations to address our findings. We concur with the responses of the auditee which have been incorporated into the report. In accordance with our established procedures, follow-up will be performed subsequent to the issuance of this report to determine effective implementation of the recommendations by management.

Please call me if you have any questions.

cc: University Provost  
    Vice Presidents  
    Auditee  
    FAU BOT Audit and Finance Committee  
    Inspector General, Florida Board of Governors  
    Florida Auditor General
EXECUTIVE SUMMARY

In accordance with the University’s Internal Audit Plan for fiscal year 2013-14, we have conducted an audit of the travel function at Florida Atlantic University for the period October 1 through December 31, 2013.

The primary objectives of this audit were to determine:

- The adequacy and effectiveness of internal controls over the travel function designed to ensure all official university travel was appropriately authorized, and travel expenditures were properly approved and supported, and processed in an accurate and timely manner; and,
- Travel operations were conducted in compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of travel expenditures in order to determine whether control procedures were operating effectively.

Based on our observations and tests performed, we are of the opinion that the university’s travel operations were not being consistently conducted in compliance with all applicable laws, rules, regulations, policies, and procedures, and sound business practices. Notwithstanding this assessment, our compliance testing of travel transactions indicated no evidence of irregularities or unusual activities. We identified opportunities for improvement relating to:

- Travel policies and procedures;
- Documentation for travel authorizations, advances, and reimbursements;
- Monitoring and follow-up for unfiled travel reimbursements; and,
- Approval and training for new users of the Banner Travel system.

The details of all findings, as well as suggestions for corrective action, can be found in the Comments and Recommendations section of this report.
Dr. John Kelly  
President  
Florida Atlantic University  
Boca Raton, Florida  

Dear President Kelly:

SCOPE AND OBJECTIVES

In accordance with the University’s Internal Audit Plan for fiscal year 2013-14, we have conducted an audit of the travel function at Florida Atlantic University for the period October 1 through December 31, 2013.

The primary objectives of this audit were to determine:

- The adequacy and effectiveness of internal controls over the travel function designed to ensure all official university travel was appropriately authorized, and travel expenditures were properly approved and supported, and processed in an accurate and timely manner; and,

- Travel operations were conducted in compliance with applicable laws, rules and regulations, university policies and procedures, and sound business practices.

Audit procedures included, but were not limited to, the evaluation of internal controls as those controls relate to the accomplishment of the foregoing audit objectives, as well as the performance of compliance testing on samples of travel expenditures in order to determine whether control procedures were operating effectively.

We obtained an understanding of the university’s travel operations by reviewing written policies and procedures, interviewing key personnel, performing analytical reviews of selected travel transactions using data analysis software, and evaluating key internal controls. Our assessment of compliance with applicable laws, rules and regulations, and established policies and procedures was based on reviews of pertinent supporting documentation for judgmentally selected samples of travel expenditures to travelers. Populations, sample sizes, and selection methods were determined based on our evaluation of internal controls, our assessment of audit
risk, the availability of pertinent university records, and other factors including auditor judgment.

We conducted our audit in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

BACKGROUND

Travel expenses paid by the university are closely regulated by state statutes and administrative rules. The Controller's Office is responsible for all centralized travel operations through its Travel unit. This unit is responsible for the administration of the university's web-based Banner Travel system with the technical support of the Office of Information Technology. Banner Travel - which replaced the prior WOLF (Web On-Line Forms) travel system in 2010 - supports the automated creation, approval, and processing of the traveler's pre-trip travel authorization (TA) and travel advance (TV) requests, and post-trip travel reimbursement (TR) request. Upon input to the system by authorized departmental delegates, these transactions are automatically routed to pre-authorized approvers and electronically posted to the Banner Finance system when appropriately approved. Currently, all of the aforementioned travel transactions are required to be electronically processed on the Banner Travel system.

During the audit period, the Travel unit was staffed by two full-time employees and a supervisor. For the current audit period of 10/1 - 12/31/13, total travel expenses of approximately $1,657,000 were incurred by the university. By comparison, for the prior audit period of 10/1 - 12/31/05, the university incurred a total of approximately $1,154,000 for travel expenses.
COMMENDS AND RECOMMENDATIONS

Current Findings and Recommendations

Need for Updates to Existing Travel Policies & Procedures

The Controller’s Office is responsible for establishing and maintaining uniform policies and procedures for travel by university employees and other authorized individuals. Our review of the current Travel Section (revised 9/17/13) of the FAU Controller’s Manual indicated that it was not as up-to-date as possible. Examples of outdated guidelines included:

- The *Introduction* section of the travel policies and procedures indicates that change orders are to be used to increase travel authorization (TA) amounts by more than ten percent; cancel TAs; or change other information submitted previously on the TA. However, TA change orders are generally no longer being used given the current electronic environment. Current options on the Banner Travel system for revising a submitted TA include copying the TA to a new one, deleting the erroneous one, and starting over; or starting a new TA with additional information and cross-referencing it to the original TA. Paper TA change orders would only be required in the event of the extended unavailability of the system;

- The *Introduction* section of the travel policies and procedures indicates that travel advance requests (TVs) are not submitted through the Banner Travel system. However, currently all travel advance requests are required to be electronically submitted through Banner Travel. Paper TVs would only be required in the event of the extended unavailability of the system;

- The *Definitions, Outline of Procedures, and Travel Expense Reimbursements* sections of the travel policies and procedures indicate that either a paper or electronic (Banner Travel system) travel reimbursement (TR) must be completed and submitted to the Controller’s Office within sixty calendar days of the end of the travel period. However, currently all travel reimbursements are required to be submitted electronically on Banner Travel. Paper TRs would only be required in the event of the extended unavailability of the system;

- The *Authority and Regulations Governing Travel* section of the travel policies and procedures refers to the rules of the Florida Department of Banking and Finance (DBF) and the Florida Department of Education (DOE)/Board of Governors (BOG). However, the DBF has been replaced by the Florida Department of Financial Services (which has current rules pertaining to travel expenses), and the Florida DOE/BOG currently have neither rules nor regulations pertaining to travel; and,

- The *Travel Authorization Request Form* and/or *Travel Advances* sections of the travel policies and procedures restrict travel advances to 80% of the estimated reimbursable travel expenses, and prohibit a traveler from having more than one advance at a time. However, management has indicated that there is an established practice of allowing the traveler, upon request - to receive a travel advance in excess of 80% of the
estimated reimbursable travel expenses, or have more than one travel advance outstanding at a time - in the case of international group travel and athletics team travel. This justifiable policy exception has not been formally approved by the appropriate level of management and incorporated into the written policies and procedures.

Recommendation No. 1

We recommend that the Travel manual be reviewed and revised to reflect the current regulatory and operational environment. Updating the manual will help to ensure correct processing of travel transactions, continuity of operations, and reliable reference/training support for university departmental employees.

Management’s Response

Action Plan:

The Controller’s Office will review the current procedures located on the website as well as the training manual and will combine both into one all-encompassing Travel Manual. In addition, the procedures regarding travel advances will be updated to include team/group travel exceptions.

Implementation Date:

September 30, 2014

Responsible Auditee:

Stacey Semmel, Interim Associate VP for Financial Affairs & University Budget Director

Travel Transaction Documentation Deficiencies

In accordance with Section 112.061, *Per diem and travel expenses of public officers, employees, and authorized persons*, Florida Statutes, Florida Department of Financial Services Rule 691-42, F.A.C., *Travel Expenses*, and/or FAU travel policies and procedures, travelers and their supervisors are required to sign-off on all travel authorization, reimbursement, and cash advance requests. Based on discussions with management, as well as the results of compliance testing performed, we noted that travelers were neither manually nor electronically approving the aforementioned travel documents. As such, individual travelers were not formally acknowledging their responsibility to comply with all applicable travel laws, rules, regulations, policies, and procedures.

Testwork conducted for a judgmentally selected sample of 60 travel reimbursements (TRs) to travelers during the period 10/1 – 12/31/13 – and the related travel authorizations (TAs) and travel advances (if applicable) – indicated the following exceptions pertaining to the lack of traveler and certain other requisite approvals, and other documentation non-compliance issues:
• All twelve TRs for travel outside the U.S. (i.e., international travel) were not electronically approved by the president or designee;

• Three of 60 TAs were not electronically approved prior to the commencement of travel;

• Three of 60 TRs (for two employees and one non-employee) were electronically submitted more than sixty calendar days after the expenses were incurred without the estimated reimbursable travel expenses for the two employees being identified as taxable in accordance with IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses. The TRs were submitted approximately one to six weeks after the deadline;

• All nine electronic travel advance requests were not approved by the traveler;

• Eight of 60 TAs were not electronically submitted and approved prior to the commencement of travel;

• 57 of 60 TRs were not electronically approved by the traveler. For the three approved TRs, the traveler electronically signed in his/her capacity as the authorized fund approver;

• Four of ten TAs for grant-funded travel (all domestic TAs) were not electronically approved by an authorized approver from the Office of Sponsored Programs;

• Eight of ten TRs for grant-funded travel (four domestic and four foreign TRs) were not electronically approved by an authorized approver from the Office of Sponsored Programs;

• One traveler was overpaid $169.00 because of an error on his TR. Subsequent to notifying the traveler’s delegate, we reviewed evidence that the traveler had reimbursed FAU for the overpayment;

• 57 of 60 TAs were not electronically approved by the traveler. For the three approved TAs, the traveler electronically signed in his/her capacity as the authorized fund approver; and,

• Two of twelve TAs for travel outside the U.S. were not electronically approved by the president or designee.

**Recommendation No. 2**

We recommend management ensure:

• All TAs and TRs are automatically routed to the president’s designee for approval if the travel is international as required by current FAU travel policies and procedures;
• All TAs are electronically submitted by the traveler’s delegate and electronically approved by the traveler, his/her supervisor, and an authorized signor on the Banner organization code charged with the expenditure prior to the commencement of travel;

• All TRs electronically submitted by the traveler’s delegate be approved by the traveler, his/her supervisor, and an authorized signor on the Banner organization code charged with the expenditure within 60 calendar days after the expenses are incurred for trips not involving a travel advance;

• If the TR is not filed within 60 calendar days after the expenses are incurred, all the employee’s reimbursable travel expenses are deemed taxable in accordance with IRS Publication 463, Travel, Entertainment, Gift, and Car Expenses;

• All electronic travel advance requests are approved by the traveler, his/her supervisor, and an authorized signor on the Banner organization code charged with the expenditure; and,

• All TAs and TRs are automatically routed to an authorized approver from the Office of Sponsored Programs for approval if the travel is grant-funded.

Management’s Response

Action Plan:

Pending implementation of the university’s new business management software, Workday, in July 2015, the Controller’s Office will create a process whereby an automated notification will be sent to the traveler informing them that a TA, TV, or TR has been submitted on their behalf by the Delegate. The notification would be treated as negative assurance and therefore no response is needed from the traveler. Management reports will be monitored by the Travel Department to determine if additional training is required. Once Workday has been implemented, travelers will be part of the approval process.

Implementation Date:

September 30, 2014

Responsible Auditee:

Stacey Semmel, Interim Associate VP for Financial Affairs & University Budget Director

Inadequate Centralized Monitoring of Unfiled Travel Reimbursements

According to FAU travel policies and procedures, travel reimbursements (TRs) are required to be submitted electronically through the Banner Travel system within sixty calendar days after the expenses are incurred, for trips not involving a travel advance. According to management, IRS
Publication 463, *Travel, Entertainment, Gift, and Car Expenses*, indicates that reimbursable travel expenses are taxable to travelers who do not file their TRs within 60 days of completion of travel (Within 30 days for travelers with travel advances).

Based on testwork performed, we acknowledge that the Travel unit has an effective process in place to monitor and follow-up with travelers who have outstanding travel advances. However, based on discussions with management, we noted that the Controller’s Office did not have a system to identify and follow-up on travelers (who did not elect travel advances) who had not submitted their TRs prior to the 60-day deadline. Although the Controller’s Office was able to generate weekly (one week of activity) and monthly (cumulative) TRs *Over 60 Days* reports, these reports only listed travelers whose reimbursements had been submitted and paid after the 60-day deadline, i.e., they would not identify travelers who never submit their TRs. Further, compliance testing of a judgmentally selected sample of 60 TRs generated during the audit period identified three travelers who had submitted their TRs after the 60-day deadline but were not shown on the applicable weekly reports or listed on the inaugural monthly (cumulative) TRs *Over 60 Days* report generated on or about 5/2/14. This report indicated a total of 44 late TRs.

Subsequent to bringing the issue to management’s attention, a revised monthly (cumulative) TRs *Over 60 Days* report was generated on 5/5/14. The aforementioned TRs for the three travelers were listed on this report which indicated a cumulative total of 66 late TRs for the audit period.

**Recommendation No. 3**

In order to better comply with IRS Publication 463, *Travel, Entertainment, Gift, and Car Expenses*, and reduce the workload of processing revised employee tax information for late TR filers to the IRS, we recommend management improves its system to timely identify and follow-up on all travelers who have not had their TRs submitted prior to the 60-day deadline. We further recommend management reviews the aforementioned revised monthly (cumulative) TRs *Over 60 Days* report in order to ensure the appropriate amended employee tax information was or will be submitted to the IRS.

**Management’s Response**

**Action Plan:**

The Controller’s Office will create a process whereby an automated notification is sent to the Delegate informing them of any unfiled TRs that are reaching the 60 day mark. This report will be based on the travel end date. The Controller’s Office will review each of the 66 TRs submitted after the 60 day point for travel which occurred during the audit period of October 1, 2013 through December 31, 2013, to determine the appropriate action to be taken.

**Implementation Date:**

December 31, 2014

**Responsible Auditee:**

Stacey Semmel, Interim Associate VP for Financial Affairs & University Budget Director
CONCLUSION

Based on our observations and tests performed, we are of the opinion that the university’s travel operations were not being consistently conducted in compliance with all applicable laws, rules, regulations, policies, and procedures, and sound business practices. Notwithstanding this assessment, our compliance testing of travel transactions indicated no evidence of irregularities or unusual activities. We have made several recommendations to improve the internal control environment which we believe are cost-effective and can be readily implemented.

We wish to thank the staff of the Controller’s Office for their kind cooperation and assistance which contributed to the successful completion of this audit.

[Signature]

Morley Barnett, CPA, CFE
Inspector General

Audit Performed By: Mike Hewett, CIA, CBA, CFSA, CGAP
Allaire Vroman