EXECUTIVE TRAVEL

CALIFORNIA STATE UNIVERSITY,
LONG BEACH

Audit Report 14-37
September 11, 2014

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ABBREVIATIONS

AVP  Associate Vice President
CSU  California State University
CSULB California State University, Long Beach
EO  Executive Order
ET  Executive Travel
OAAS Office of Audit and Advisory Services
RM  Risk Management
TEC  Travel Expense Claim
VP  Vice President
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of Audit and Advisory Services (OAAS) during the last quarter of 2013, the Board of Trustees, at its January 2014 meeting, directed that Executive Travel (ET) be reviewed. The OAAS has never reviewed ET as a stand-alone audit.

We visited the California State University, Long Beach (CSULB) campus from June 3, 2014, through June 27, 2014, and audited the procedures in effect at that time.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for ET activities as of June 27, 2014, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include: policies and procedures and travel authorizations and expenditures.

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.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

GENERAL ENVIRONMENT [6]

Campus procedures allowed travel expense claims for vice presidents (VP) to be approved by an individual who reported directly or indirectly to the VP if the request for travel had been approved in advance by the president. Furthermore, the campus did not have procedures to define and communicate the purpose of monthly car allowances for executives and to prevent the inadvertent reimbursement of mileage expenses by the campus.

TRAVEL AUTHORIZATIONS AND EXPENDITURES [8]

Travel expenditures were not always processed in accordance with campus and California State University policy.
INTRODUCTION

BACKGROUND

The California State University (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 for this audit subject, 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 Office of the Chancellor.

The university delegation of authority process generally defines responsibility for approval of travel authorization forms and travel expense claims. Executive Order (EO) 688, Delegation of Authority – Approval of Travel Requests, dated September 16, 1998, delegates authority to each president to sub-delegate authority to approve travel requests for campus personnel.

The primary CSU policy and procedures governing travel are Integrated California State University Administrative Manual § 3601.01, Travel Policy, and the related Travel Procedures and Regulations G-001, which were last revised April 1, 2013, and apply to all CSU employees, including CSU executives. The policy and related procedures require travelers to have documented authorization for travel prior to departure, require travel expense claims to be submitted in a timely manner after trip completion, and discuss the procedures and documents necessary to obtain approval for reimbursement of travel expenses. The policy and related procedures also define methods and types of travel expenses that are eligible or ineligible for reimbursement.

The CSU also has additional policies for international travel, in order to ensure the health and safety of university travelers. Coded memorandum Risk Management (RM) 2013-01, International Travel and Requirement to Purchase Insurance, dated March 25, 2013, requires all faculty, students, and staff to obtain foreign travel insurance through the California State University Risk Management Authority. It requires additional approvals for travel to high-hazard areas or countries on the U.S. State Department Travel Warning List.

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

- EO 688 requires a president’s international travel to be approved prior to departure by either the chancellor or executive vice chancellor. If the travel is to a high-hazard area or to a country on the U.S. State Department Travel Warning List, coded memorandum RM 2013-01 specifically requires that the chancellor provide the approval.

- Travel Procedures and Regulations G-001 state that in general, domestic travel expenses for each campus president, including a spouse or domestic partner, will be approved by the campus chief financial officer. Additionally, the president may designate a vice president, or another responsible
administrator, to approve travel expenses incurred by other campus vice presidents. The designated vice president’s travel expenses will be approved by the president or his/her designee, provided that the individual does not report to the president.

› *Travel Procedures and Regulations G-001* address spouse or registered domestic partner travel and allow expenses for such travel to be reimbursed provided it can be established that the travel serves a bona fide university business purpose.

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.
PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to executive travel and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- Administration of the university business travel is well defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- Campus travel policies and procedures are current, comprehensive, and consistent with CSU policy.
- Travel advances for executives are properly authorized, issued in compliance with campus and CSU policy, and appropriately accounted for.
- Funds used to pay for executive travel are appropriate.
- Administration of executive travel is sufficient to ensure that travel expenditures are properly authorized, incurred for appropriate business purposes, adequately documented, and in compliance with CSU and campus policy.
- International travel, including travel to high-hazard countries, is properly approved, and foreign travel insurance is obtained for any executive traveling out of the country.
- Payments or reimbursements for travel of executives’ spouses or domestic partners are appropriate and in compliance with CSU and campus policy.
- Retention and storage of travel records is adequate and consistent with CSU and campus policy.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Audit Agenda Item 4 of the January 28 and 29, 2014, meeting of the Committee on Audit stated that Executive Travel (ET) includes review of campus travel policies and procedures to ensure alignment and compliance with CSU requirements; review of internal campus processes for monitoring, reviewing, and approving travel expense claims; and examination of senior management travel and travel expense claims for proper approvals and compliance with campus and CSU travel policy.

Our study and evaluation were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining whether fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with federal and state regulations and guidance, Board of Trustee policies, and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from April 1, 2012, through March 31, 2014.

We focused primarily on the internal administrative, compliance, and operational controls over ET 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 defined in this audit, executives include the president and all vice presidents/executive vice presidents at the campuses, and the chancellor and all vice chancellors/executive vice chancellors at the Office of the Chancellor.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

GENERAL ENVIRONMENT

TRAVEL EXPENSE CLAIM APPROVALS

Campus procedures allowed travel expense claims (TEC) for vice presidents (VP) to be approved by an individual who reported directly or indirectly to the VP if the request for travel had been approved in advance by the president.

We reviewed 54 business trips and found that 20 TECs for VPs were approved by an assistant VP, division director, or manager within the VP’s division.

California State University (CSU) Travel Procedures and Regulations, Section X, last revised April 2013, states that the TEC should not be approved by a person who reports directly or indirectly to the traveler.

California State University, Long Beach (CSULB) Travel Procedures, Section X, last revised April 1, 2013, states that subordinates cannot approve transactions for their superiors, regardless of the authority level.

The associate vice president (AVP) for financial management stated that the campus was unaware that the CSU travel policy included the word “claim” to the requirement to approve travel expenses. She further stated that the campus policy allowed these individuals to approve TECs when the appropriate administrator had defined and approved allowable expenses before a trip.

The practice of allowing subordinates to approve TECs does not comply with the CSU travel policy and creates a conflict of interest.

Recommendation 1

We recommend that the campus revise procedures so that TECs for VPs are approved by the president or an appropriate designee who does not report directly or indirectly to the traveler.

Campus Response

We concur. The campus is revising the required approval level for executive travel claims as recommended. Subordinates cannot approve transactions for their superiors, regardless of the authority level. Estimated date of completion is March 1, 2015.

CAR ALLOWANCES

The campus did not have procedures to define and communicate the purpose of monthly car allowances for executives and to prevent the inadvertent reimbursement of mileage expenses by the campus.
We reviewed campus travel claims for VPs and noted that:

- Campus accounts payable was not notified when executives were provided a car allowance so that the department could use the information in reviewing and processing travel claims.

- The purpose of car allowances was not always clearly documented, either in campus policy or in communications to the employee.

- One executive was reimbursed $137 for mileage incurred during two local business trips that should have been covered by a monthly car allowance.

Coded memorandum Human Resources 2009-04, Management Personnel Plan – Supplemental Compensation, dated January 30, 2009, states that it is recognized, that in some cases, it may be appropriate to provide supplemental compensation to management personnel plan employees. Where supplemental compensation is appropriate, there must be clearly demonstrated benefit to the CSU as a basis for the supplemental compensation, and the funding must be from non-General Fund resources.

Government Code §13402 and §13403 states that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. Further, administrative controls are the methods through which reasonable assurance can be given that measures adopted by state agency heads to safeguard assets and promote operational efficiency are being followed.

The AVP for human resources stated that individual employment letters were generally used to define the restrictions around specific individuals’ allowances; however, restrictions were not always included in these letters due to oversight, and the letters were not shared with accounts payable for claim processing.

A lack of procedures for executive car allowances increases the risk that mileage will be inadvertently reimbursed to employees.

Recommendation 2

We recommend that the campus implement procedures to define and communicate the purpose of monthly car allowances for executives and to prevent the inadvertent payment of mileage expenses by the campus.

Campus Response

We concur. The campus updated its administrative guideline for Recruitment, Selection, and Appointment of Management Personnel Plan (MPP) employees to ensure that appointment letters for vice president positions that offer a car allowance as part of the appointment contain language that the appointee will be precluded from receiving mileage reimbursement. In addition, all current appointment letters for the five executives from the audit were forwarded to accounts payable to
prevent inadvertent payment of mileage expenses by the campus. Corrective action on this item is complete.

TRAVEL AUTHORIZATIONS AND EXPENDITURES

Travel expenditures were not always processed in accordance with campus and CSU policy.

We reviewed 54 business trips that took place between April 1, 2012, and March 31, 2014, and found that:

- Three travel claims did not have documented travel authorizations on file. Of these, one was for international travel and did not include chancellor’s office approval or the required foreign travel insurance.

- Two travel claims did not identify the number of personal days associated with the business travel. As a result, approximately $575 in personal charges were reimbursed to the traveler by the campus.

- During the audit period, six travel claims included $583 in additional costs for flight changes or hotel cancellations without a documented explanation of the business reason for the change.

- For three of the four trips that included spousal travel, a travel expense claim for the spouse’s travel expenses was not completed or submitted to accounts payable in a timely manner.

- 15 travel claims did not always document the time of departure and return from travel.

- 15 travel claims included transactions of $25 or more, totaling $2,946.25, that were supported by credit card statements or charge slips, but did not include itemized receipts.

- Eight travel claims included reimbursements for one or more meals at a per diem rate of $25, for which no receipt was provided.

- Two travel claims included lodging or meals that exceeded the allowed reimbursement amount.

Integrated California State University Administrative Manual §3601.01, Travel Policy, dated April 1, 2013, states that authorization to travel must be obtained from appropriate administrators within the employee’s organization as determined by the organization’s identified delegation of authority. Individuals traveling on official university business are responsible for ensuring they have documented authorization in advance to travel.

Executive Order 688, Delegation of Authority – Approval of Travel Requests, dated September 16, 1998, states that presidents’ international travel must be approved prior to departure by either the chancellor or the executive vice chancellor.
Coded memorandum Risk Management 2011-03, *Foreign Travel Insurance Program – Requirement to Purchase*, dated March 7, 2011, requires all employees who travel internationally on CSU business to obtain foreign travel insurance through the California State University Risk Management Authority.

CSULB *Travel Procedures*, Sections II, III, IV, V, VII, IX, and Appendix C, last revised April 1, 2013, state that:

- Travelers must ensure they have documented authorization to travel prior to embarking on the trip and/or prior to making non-cancellable travel arrangements.

- Under no circumstances shall expenses for personal travel be charged to, or be temporarily funded by, the university, unless otherwise noted in these procedures.

- Fees incurred as a result of canceling or changing a trip will be covered if the cancelation or change was work-related or due to unforeseen circumstances out of the control of the traveler. A business justification must be submitted and approved by the appropriate administrator.

- Transportation expenses shall be reimbursed based on the most economical mode of transportation and the most commonly traveled route consistent with the authorized purpose of the trip.

- Allowable travel expenses for non-university travelers, which includes spouses, are subject to the provisions of these guidelines. A travel expense claim must be submitted in accordance with the requirements set forth in Section IX, Reporting Travel Expenses.

- To substantiate expenses, the travel expense claim must include the date and time of departure from and return to the traveler’s normal work location or residence.

- When any personal leave is taken while on official travel status, the number of personal days must be specified on the claim.

- The original itemized receipt must be submitted with the travel expense claim for any reimbursable item costing $25 or more.

- The reimbursement of daily meal and incidental expenses for travel within the continental United States will be based on actual amounts incurred subject to a daily maximum reimbursement cap of $55. The meals reimbursement cap should not be treated as a per diem. Receipts are required for expenses of $25 or more.

- Travelers to foreign destinations will receive a fixed amount per diem for lodging, meals, and incidentals in accordance with the federal maximum travel per diem allowances for foreign areas published by the U.S. Department of State.
The AVP for financial management stated that these issues were not identified during accounts payable’s review for compliance due to staff resources and the materiality of the corresponding travel claims.

Inadequate completion and review of travel expense claims increases the risk of unauthorized, unnecessary, or non-business travel expenditures and noncompliance with campus and CSU policy.

**Recommendation 3**

We recommend that the campus reinforce the travel expense claim requirements noted above with executives, their travel expense claim preparers, and travel expense claim reviewers.

**Campus Response**

We concur. The controller’s office is in the process of developing training materials and a communication plan. We expect to complete the communication to affected staff by December 31, 2014.
APPENDIX A:
PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>Jane Close Conoley</td>
<td>President (Currently)</td>
</tr>
<tr>
<td>Donald J. Para</td>
<td>Interim President (At time of review)</td>
</tr>
<tr>
<td>Scott Apel</td>
<td>Associate Vice President, Human Resources Management</td>
</tr>
<tr>
<td>Annette Harris</td>
<td>Supervisor, Accounts Payable, California State University, Long Beach Research Foundation</td>
</tr>
<tr>
<td>Carol Monson</td>
<td>Manager, Accounts Payable</td>
</tr>
<tr>
<td>Maureen O’Brien</td>
<td>University Controller</td>
</tr>
<tr>
<td>Aysu Spruill</td>
<td>Director, Internal Auditing Services, and Information Security Officer</td>
</tr>
<tr>
<td>Mary Stephens</td>
<td>Vice President, Administration and Finance</td>
</tr>
<tr>
<td>Sharon Taylor</td>
<td>Associate Vice President, Financial Management</td>
</tr>
</tbody>
</table>
November 3, 2014

Mr. Larry Mandel  
Vice Chancellor and Chief Audit Officer  
California State University  
401 Golden Shore  
Long Beach, California 90802

Re: Response to Executive Travel #14-37

Dear Larry:

Please find enclosed California State University, Long Beach's response to the above report. The campus is committed to addressing and resolving the issues identified in the audit report.

Please let me know if we can provide you with any additional information.

Sincerely,

Mary Stephens  
Vice President for Administration and Finance

Enclosure

IA-0346

c: Jane Close Conoley, President  
    Scott Apeil, Associate Vice President, Human Resources Management  
    David Dowell, Interim Provost & Senior Vice President  
    Ted Kadowaki, Associate Vice President, Budget and University Services  
    Aysu Spruill, Director, Internal Auditing Services/Campus Information Security Officer  
    Sharon Taylor, Associate Vice President, Financial Management
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GENERAL ENVIRONMENT

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CAR ALLOWANCES

Recommendation 2

We recommend that the campus implement procedures to define and communicate the purpose of monthly car allowances for executives and to prevent the inadvertent payment of mileage expenses by the campus.

Campus Response

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Campus Response

We concur. The controller's office is in the process of developing training materials and a communication plan. We expect to complete the communication to affected staff by December 31, 2014.
December 2, 2014

MEMORANDUM

TO: Mr. Larry Mandel
   Vice Chancellor and Chief Audit Officer

FROM: Timothy P. White
       Chancellor

SUBJECT: Draft Final Report 14-37 on Executive Travel,
         California State University, Long Beach

In response to your memorandum of December 2, 2014, I accept the response as submitted with the draft final report on Executive Travel, California State University, Long Beach.

TPW/amd