## CONTENTS

Executive Summary ...................................................................................................................................... 1

Introduction ................................................................................................................................................... 3  
  Background ............................................................................................................................................... 3  
  Purpose ...................................................................................................................................................... 5  
  Scope and Methodology ............................................................................................................................ 6

### OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Travel Authorizations and Expenditures ....................................................................................................... 7  
  Car Allowance ........................................................................................................................................... 7  
  Spousal Travel ........................................................................................................................................... 8  
  Account Authorization Agreement ........................................................................................................... 9  
  Conflict-of-Interest Reporting ................................................................................................................ 10  
  International Travel ..................................................................................................................................... 11  
  Travel Card Transactions ........................................................................................................................ 13  
  Directly Billed Expenses ........................................................................................................................ 14  
  Travel Authorizations ............................................................................................................................. 15  
  Travel Expenditures ................................................................................................................................... 16
APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Campus Response
APPENDIX C: Chancellor’s Acceptance

ABBREVIATIONS

AVP       Associate Vice President
CFO       Chief Financial Officer
CSU       California State University
ET        Executive Travel
Foundation Tower Foundation
GC        Government Code
IES       International and Extended Studies
OAAS      Office of Audit and Advisory Services
SJSU      San José State University
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 San José State University campus from April 14, 2014, through May 16, 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 May 16, 2014, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include 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.

TRAVEL AUTHORIZATIONS AND EXPENDITURES [7]

- The campus did not have procedures to prevent the payment of mileage expenses to executives with monthly car allowances.
- Neither the campus nor the Foundation had a written policy or procedure addressing the documentation and approvals required for payment or reimbursement of spousal travel.
- The Tower Foundation account authorization agreement for the president’s Tower Community Fund, used to pay for travel by the president’s spouse, was incomplete.
- Travel expenses for executives that were paid for by third parties were not always included on the executives’ annual statement of economic interests forms for conflict-of-interest reporting purposes.
- For the president’s international travel, state travel claims were not always submitted, state funds were sometimes used when the travel authorization indicated no state funding for the trip, and there was often insufficient documentation to account for all costs related to the trips.
- Prepaid travel expenses made using the campus GoCard and direct bill programs did not always comply with campus and CSU policies.
EXECUTIVE SUMMARY

- Travel authorization forms were not always in place and had not always been appropriately approved prior to travel, and travel expenditures were not always processed according to campus and CSU 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 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 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 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 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.
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 January 1, 2012, through May 16, 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

TRAVEL AUTHORIZATIONS AND EXPENDITURES

CAR ALLOWANCE

The campus did not have procedures to prevent the payment of mileage expenses to executives with monthly car allowances.

We reviewed executive travel claims, and we noted one claim in which the employee was reimbursed for $210 in local mileage related to donor visits that should have been covered by the executive’s monthly car allowance. Based on conversations with the controller of the Tower Foundation (Foundation), the purpose of the monthly car allowance, funded by the Foundation, was to pay for local mileage for donor visits that the executive made as an officer of the Foundation. However, there were no procedures in place to ensure that the purpose of the car allowance was documented and clearly communicated to the employee and to campus accounts payable for use when reviewing and processing travel claims.

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 California State University (CSU) as a basis for the supplemental compensation, and the funding must be from non-General Fund resources.

Government Code (GC) §13402 and §13403 state 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 associate vice president (AVP) of finance stated that because the Foundation and the campus shared responsibility in approving and providing the car allowance, there was some confusion as to who should document and communicate its purpose to the employee.

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

Recommendation 1

We recommend that the campus, in conjunction with the Foundation, implement procedures to prevent the payment of mileage expenses to executives with monthly car allowances.
Campus Response

We concur. The campus will implement procedures in conjunction with the Foundation to prevent the payment of mileage expenses to executives with monthly car allowances.

This will be completed by the end of November 2014.

SPOUSAL TRAVEL

Neither the campus nor the Foundation had a written policy or procedure addressing the documentation and approvals required for payment or reimbursement of spousal travel.

We noted that when the president’s spouse traveled with him for business purposes, his spouse’s travel costs were paid by the Foundation, but neither the Foundation nor the campus adequately documented the payment process for these travel costs or the business purpose for the spousal travel. In addition, Foundation travel expense claims were not prepared for each trip, and two trips had not been approved by the chief financial officer (CFO).

Foundation Travel Expense Claim Procedures state that upon return from a trip, the travel expense claim form should be completed and submitted to the Foundation along with original receipts.

CSU Travel Procedures and Regulations, Section VII, last revised April 2013, state that the travel expenses of a spouse or registered domestic partner who accompanies a university business traveler are reimbursable provided it can be established that their presence serves a bona fide university business purpose. A spouse or registered domestic partner who attends a function is considered to have a business purpose if he or she has a significant role in the proceedings or makes an important contribution to the success of an event. Generally, protocol or tradition dictates when the participation of a high-level official’s spouse or registered domestic partner is required at official university functions. Documentation should be provided with the travel expense claim to show that the spouse or registered domestic partner’s attendance at the function meets the above conditions (e.g., an event or meeting agenda, or a letter of invitation requesting that the spouse or registered domestic partner attend the meeting or event).

CSU Travel Procedures and Regulations, Section X, state that the travel expense for each campus president, including a spouse, registered domestic partner, or an associate of the president, will be approved by the campus chief financial officer.

GC §13402 and §13403 state 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 of finance stated that the Foundation was appropriately used to cover executive spousal travel costs and that non-adherence to CSU policy in authorization documentation of claim
reimbursements was due to oversight. The Foundation controller stated that the president’s spouse was not considered an employee or volunteer of the Foundation, and therefore reimbursement for her expenses was not required on a travel expense claim form.

Failure to follow systemwide requirements and lack of campus and Foundation policies and procedures related to the reimbursement of spousal travel costs increases the risk of noncompliance with CSU and Internal Revenue Service requirements.

**Recommendation 2**

We recommend that the campus and the Foundation develop and implement written policies or procedures addressing the documentation and approvals required for payment or reimbursement of spousal travel that, at a minimum, comply with systemwide requirements.

**Campus Response**

We concur. The campus and the Foundation will develop and implement written policies specifying the documentation and approvals required for spousal travel expenses coverage in compliance with systemwide requirements.

This will be completed by the end of November 2014.

**ACCOUNT AUTHORIZATION AGREEMENT**

The Foundation account authorization agreement for the president’s Tower Community Fund, used to pay for travel by the president’s spouse, was incomplete.

We noted that the sections of the authorization form relating to the purpose of the account, account disclosures, and campus authorizations had not been completed.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that an account be supported by a completed agreement.

The Foundation controller stated that this type of fund was a general donation fund, and as such, was a discretionary account, and no specific purpose was deemed necessary. In addition, she stated that this account was set up several years ago, and that since August 2013, the Tower Foundation has required that all account authorization forms have the purpose filled out.

Incomplete account authorization agreements increase the risk of expenditures that do not comply with CSU and campus policies.
Recommendation 3

We recommend that the Foundation update the authorization agreement for the president’s Tower Community Fund to include the purpose of the account, account disclosures, and campus authorizations.

Campus Response

We concur. The Foundation will update the authorization agreement for the president’s Tower Community Fund to include the purpose of the account, account disclosures, and campus authorizations.

This will be completed by the end of October 2014.

CONFLICT-OF-INTEREST REPORTING

Travel expenses for executives that were paid for by third parties were not always included on the executives’ annual statement of economic interests forms for conflict-of-interest reporting purposes.

We reviewed 139 business trips that took place from January 1, 2012, through December 31, 2013, and we found 17 trips with airfare or lodging paid by a third party. Of these, we noted seven instances where it appeared that the payment for travel should have been reported on the annual statement of economic interests form.

Fair Political Practices Commission, Title 2, Division 6, California Code of Regulations, §18950, Travel Payments, states that a payment for travel made pursuant to the provisions of Section 89506(a) is a gift and shall be reported pursuant to the provisions of that section. Payment for travel means any payment that provides transportation to an official from one location to another location, as well as a payment for lodging and food connected with the travel.

The AVP of finance stated that incomplete conflict-of-interest reporting was due to oversight by the employees.

Incomplete conflict-of-interest reporting increases the risk of non-compliance with government and CSU requirements and penalties from the Fair Political Practices Commission, and can result in negative publicity from unintentional reporting errors.

Recommendation 4

We recommend that the campus remind all executives that travel paid for by third parties may be subject to conflict-of-interest reporting on the annual statement of economic interests form.
Campus Response

We concur. The campus will remind all executives that (a) travel paid for by third parties may be subject to conflict-of-interest reporting on the annual statement of economic interests form, and (b) it is the responsibility of each individual to make sure that their reporting is complete.

This will be completed by the end of November 2014.

INTERNATIONAL TRAVEL

Administration of the president’s international travel expenses needed improvement.

We reviewed five international trips for the president in calendar years 2012 and 2013 and found that:

- The travel authorization for four of the trips stated that no state funds would be used. However, in all four cases, although the trips were for legitimate business purposes, we noted that at least some state funds were used, which was inconsistent with the authorization form. Specifically:
  - For a 2012 trip to China, the campus stated that all costs of the trip, except for airfare, were paid for by an International and Extended Studies (IES) fund.
  - For a 2013 trip to Australia, $227 in costs associated with the trip were paid from the campus operating fund.
  - For a 2013 trip to India, airfare of $2,004 was paid out of a campus trust fund.
  - For a 2013 trip to China, airfare of $2,199 and lodging of $380 was paid for by an IES fund, and $73.69 in lodging was paid out of the campus operating fund.
- For two trips where at least part of the funding for the trip appeared to be from state funds, no state travel claim was submitted.
- In two instances, a state travel claim did not include costs for lodging or airfare that were paid for out of IES funds.
- For one trip, travel costs were paid for by the Foundation, but a Foundation travel expense claim was not submitted. Instead, costs were processed on a requisition.
- For three trips, there was insufficient documentation of costs incurred, excluding airfare, to determine what costs were incurred, or how the costs of the trip were funded.

San José State University (SJSU) Travel Guide, last revised January 21, 2014, states that the travel guide applies to all SJSU employees, students, and others traveling on all official university business where the university will be paying for the travel using university funds, both operating and trust. It further states that the traveler is responsible for submitting travel reimbursement requests within 30 days from the return of the trip and obtaining detailed/itemized receipts for all expenses incurred.
Foundation Travel Expense Claim Procedures state that upon return from a trip, the travel expense claim form should be completed and submitted to the Foundation, along with original receipts.

CSU Travel Procedures and Regulations, Section IX, last revised April 2013, state that the total amount of all expenses and advances pertaining to a particular trip must be accounted for when submitting a travel expense claim. Previously reimbursed amounts related to the trip should be detailed on the claim. For direct billing arrangements that have been approved in advance, a travel claim must still be processed as verification that the expense was incurred even if no reimbursement is due the traveler. In addition, original itemized receipts for all airline expenses, lodging, rental car expenses, registration fees, and reimbursable items of $25 or more must be submitted with the travel expense claim.

GC §13402 and §13403 state 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 Foundation controller stated that for the missing travel claims, because the requisition had all the necessary information, authorization, and paperwork, no additional travel expense claim was required. She further stated that the Foundation tries not to burden account holders with unnecessary paperwork if all relevant information can be found on the requisition.

Inadequate administration of the president’s international travel expenses increases the risk that funds may be expended for purposes that are not business-related and increases the risk of negative publicity in the event of public records requests or other questions relating to the travel.

**Recommendation 5**

We recommend that the campus:

a. Review travel authorization forms to ensure that funding sources are appropriately noted.

b. Submit state travel claims when state funds are used for international travel.

c. Submit Foundation travel claims when Foundation funds are used for international travel.

d. Maintain documentation of all costs incurred on international trips.

**Campus Response**

We concur. We will remind the campus to make sure that:

a. Travel authorization forms clearly require information on funding sources.

b. State travel claims are submitted when state funds are used for international travel.

c. Foundation travel claims are submitted when Foundation funds are used for international travel.

d. Documentation of all costs incurred on international trips is maintained.
This will be completed by the end of November 2014.

**TRAVEL CARD TRANSACTIONS**

Prepaid travel expenses made using the campus GoCard travel card program were not always made in compliance with campus and CSU policies.

We reviewed 62 GoCard transactions related to executive prepaid travel expenses and found that:

- 20 transactions were made before an approved travel authorization was filed.
- 29 transactions did not include the travel authorization in the monthly reconciliation.
- Seven transactions were not detailed as prepaid expenses on the related travel expense claim.
- Five transactions had inadequate receipts.

SJSU GoCard Program Manual, last revised April 29, 2013, states that all travel-related expenses for SJSU employees must be pre-approved via the travel authorization prior to being arranged using the GoCard. Regardless of the method used for paying travel-related expenses, the cardholder must obtain an original receipt to submit, along with a copy of the request for approval of travel associated with the expense, in the monthly reconciliation report.

CSU Travel Procedures and Regulations, Section IX, last revised April 2013, state that the total amount of all expenses and advances pertaining to a particular trip must be accounted for when submitting a travel expense claim. Previously reimbursed amounts related to the trip should be detailed on the claim. For direct billing arrangements that have been approved in advance, a travel claim must still be processed as verification that the expense was incurred even if no reimbursement is due the traveler. In addition, original itemized receipts for all airline expenses, lodging, rental car expenses, registration fees, and reimbursable items of $25 or more must be submitted with the travel expense claim.

The director of finance support stated that accounts payable relied on travel claim preparers to provide information on prepaid expenses in the travel claim, and that inadequate or incomplete receipts and documentation were due to oversight.

Inadequate enforcement of campus and CSU policies and procedures increases the risk of unauthorized or personal expenditures and decreases the accuracy of submitted travel expense claims.

**Recommendation 6**

We recommend that the campus comply with GoCard and CSU policies relating to prepaid travel expenses.

**Campus Response**

We concur. The campus will strengthen accounts payable procedures to enforce compliance by users to GoCard and CSU policies relating to prepaid travel expenses.
This will be completed by the end of November 2014.

**DIRECTLY BILLED EXPENSES**

Administration of directly billed travel expenses needed improvement.

We reviewed 139 business trips taken by executives between January 1, 2012, and December 31, 2013, and found that:

- 13 travel expense claims did not include the cost of all directly billed airline or rental car expenses.
- 25 travel expense claims did not include itemized receipts for directly billed airline or rental car costs.
- A travel expense claim was not processed for one directly billed airline expense.
- An executive was reimbursed for a $50.19 rental car charge that was directly billed to the campus.

*SJSU Travel Guide*, last revised January 21, 2014, states that the traveler is responsible for submitting travel reimbursement requests within 30 days from the return of the trip, and that the request should include any prepaid expenses made by the university.

*CSU Travel Procedures and Regulations*, Section IX, last revised April 2013, state that the total amount of all expenses and advances pertaining to a particular trip must be accounted for when submitting a travel expense claim. Previously reimbursed amounts related to the trip should be detailed on the claim. For direct billing arrangements that have been approved in advance, a travel claim must still be processed as verification that the expense was incurred even if no reimbursement is due the traveler. In addition, original itemized receipts for all airline expenses, lodging, rental car expenses, registration fees, and reimbursable items of $25 or more must be submitted with the travel expense claim.

The AVP of finance stated that accounts payable relies on travel claim preparers to provide all information on prepaid expenses in the travel claim.

Inadequate administration of directly billed expenditures increases the risk of expenditures that do not comply with CSU policy and decreases the accuracy of submitted travel expense claims.

**Recommendation 7**

We recommend that the campus:

a. Remind executives and their travel claim preparers that travel expense claims should include the cost of all directly billed airline or rental car expenses as prepaid expenses, along with itemized receipts for the expenses.
b. Remind executives and their travel claim preparers that travel expense claims should be processed for all directly billed transactions.

c. Obtain reimbursement of the $50.19 rental car charge that was directly billed to the campus and paid to the executive in question.

Campus Response

We concur. The campus will implement the following compliance actions:

a. Remind executives and their travel claim preparers that claims should include the cost of all directly billed airline or rental car expenses as prepaid expenses, along with itemized receipts for the expenses.

b. Remind executives and their travel claim preparers that claims should be processed for all directly billed transactions.

c. Obtain return of funds in the amount of $50.19 of the incorrect car rental reimbursement paid to an executive for a rental car charge that was directly billed to the campus.

This will be completed by the end of October 2014.

TRAVEL AUTHORIZATIONS

Travel authorization forms were not always in place and had not always been appropriately approved prior to travel.

We reviewed 71 trips taken by campus vice presidents and found that:

- Documented travel authorizations had not been filed for any trips taken by one vice president, as current practice allowed verbal authorization from the president.
- Eight additional travel authorizations had not been filed for other vice presidents.
- Three travel authorizations had not been approved by the president’s designee.
- 18 travel authorizations had not been approved prior to travel.

SJSU Travel Guide, last revised January 21, 2014, states that travelers must obtain documented authorization to travel prior to embarking on the trip and/or prior to making non-cancellable travel arrangements.

Integrated California State University Administrative Manual §3601.01, Travel Policy, last revised 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.
CSU Travel Procedures and Regulations, Section II, last revised April 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.

The AVP for finance stated that all trips taken by the vice president in question were CSU/systemwide related, and therefore the need for a written authorization was not recognized. She further stated that paper-based travel authorizations created prior to the current electronic system could not be located, and that trips were not always approved by the president’s designee due to oversight. In addition, she stated that one vice president, who also had new administrative staff, was still learning CSU and campus policies for pre-authorization.

Insufficient travel authorizations increase the risk of unapproved or unnecessary travel expenditures, work-related injuries, and noncompliance with campus and CSU policy.

**Recommendation 8**

We recommend that the campus remind the executives and their travel authorization preparers that travel authorizations are required to be completed, maintained, and appropriately approved prior to travel.

**Campus Response**

We concur. The campus will remind the executives and their travel authorization preparers that travel authorizations are required to be completed, appropriately approved prior to travel, and maintained on file.

This will be completed by the end of October 2014.

**TRAVEL EXPENDITURES**

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

We reviewed 139 business trips that took place between January 1, 2012, and December 31, 2013, and found that:

- 14 travel expense claims for the president were approved by his chief of staff, rather than the campus CFO.
- 23 travel expense claims were not submitted to accounts payable within 30 days of the end of a trip. The delays in processing the travel expense claims ranged from 33 to 226 days, and for four travel expenses claims that included multiple trips, the delays spanned a five-month period.
- Four travel expense claims included lodging that cost more than the maximum rate of $175 per night without a pre-approved exception request. The lodging on the travel expense claims ranged from $183 per night to $299 per night.
11 expense claims included flight changes, without explanation of the business reason for the change.

Eight expense claims did not adequately identify the number of personal days associated with the business travel. Of these, three claims did not identify the days when the traveler was on vacation during the trip, and for two trips, the traveler appeared to be on personal time but had not taken time off.

Three travel claims included premium economy or business-select class airfare without a justification or explanation.

27 travel claims did not always show beginning and ending dates and time of travel or showed incorrect beginning and ending dates of travel.

Eight travel claims contained a transaction of more than $25 for which the accompanying receipt was not itemized, or was not a zero balance receipt.

CSU Travel Procedures and Regulations, Sections III, IV, V, IX, X, last revised April 2013, state that:

- A travel expense claim shall be used to account for all travel advances and expenses incurred in connection with official university travel. The travel expense claim must be submitted to the campus travel reimbursement office within 30 days of the end of a trip, unless there is recurrent local travel, in which case claims may be aggregated and submitted monthly.

- The travel expense claim should not be approved by a person who reports directly or indirectly to the traveler. The travel expenses for each campus president, including a spouse, registered domestic partner, or an associate of the president, will be approved by the campus CFO.

- The in-state and out-of-state lodging rate for campus and chancellor’s office employees is $175 per night, excluding taxes (effective April 1, 2013). Expenditures above the cap are the responsibility of the traveler unless a documented exception is approved. Exception requests must be pre-approved in accordance with section II.E of this policy, and campus approval processes.

- If a trip must be cancelled or changed, the traveler must make every effort to cancel/change any travel reservations. Fees incurred as a result of cancelling/changing a trip will be covered if the cancellation/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 approving authority.

- When any personal leave is taken while on official travel status, the number of personal days must be specified on the claim. Also, when travel on state business is extended for personal reasons, the CSU will only reimburse the staff member for expenses during the time he or she would have been required to travel were the trip not extended for personal reasons.

- Substantiation of expenses must include the date and time of departure from and return to the traveler’s normal work location or residence and the origin and destination of the trip and the
route taken. Travel within a local area should also be indicated, and continuous travel between major points, such as from city to city, should be shown separately. The purpose for the travel or the business benefit derived as a result of the travel must be included.

- 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. Coach or other discounted economy-class fare shall be used whenever ticketing restrictions are reasonable. This applies to all travel regardless of the purpose or fund source.

- Original, itemized receipts must be submitted for any reimbursable item costing $25 or more. An itemized receipt demonstrates the cost (shows what was purchased) and provides proof of payment (shows how it was paid).

The president’s chief of staff stated that she approved some of the president’s claims before it was decided that the CFO was the appropriate approver, and may have approved others because the CFO was unavailable. The AVP of finance stated that accounts payable had no information on whether personal days were included in business travel unless the traveler identified the information in the travel claim, and that only the claims preparer would have such information. She further stated that the lodging limit was recently implemented in 2013, and there may have been some oversights during the transition. She also stated that in general, claims preparers and approvers were responsible for submitting documentation required by campus and CSU policy, including proper approvals and pre-approvals, while accounts payable was responsible for following up on incomplete claims submitted.

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

**Recommendation 9**

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

**Campus Response**

We concur. The campus will strengthen control to ensure that the traveling executives and their travel expense claim preparers adhere to all campus and CSU requirements.

This will be completed by the end of November 2014.
## APPENDIX A: PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohammad H. Qayoumi</td>
<td>President</td>
</tr>
<tr>
<td>Shawn Bibb</td>
<td>Vice President, Administration and Finance and Chief Financial Officer</td>
</tr>
<tr>
<td>Rebecca Dukes</td>
<td>Vice President of University Advancement</td>
</tr>
<tr>
<td>Zaynna Fahkreddine</td>
<td>Presidential Aide, Office of the President</td>
</tr>
<tr>
<td>Gail Finney</td>
<td>Director, Finance Support</td>
</tr>
<tr>
<td>Monica Garcia</td>
<td>Confidential Administrative Support, Vice President of Student Affairs</td>
</tr>
<tr>
<td>Josee LaRochelle</td>
<td>Associate Vice President for Finance</td>
</tr>
<tr>
<td>Alma Livingston</td>
<td>Budget Analyst, Provost/Vice President of Academic Affairs</td>
</tr>
<tr>
<td>Marisela Mercado</td>
<td>Administrative Assistant, Vice President of University Advancement</td>
</tr>
<tr>
<td>William Nance</td>
<td>Vice President, Student Affairs</td>
</tr>
<tr>
<td>Ninh Pham-Hi</td>
<td>Director of Internal Controls</td>
</tr>
<tr>
<td>Dorothy Poole</td>
<td>Chief of Staff, Office of the President</td>
</tr>
<tr>
<td>Christina Tan-Aoyagi</td>
<td>Controller, Tower Foundation</td>
</tr>
</tbody>
</table>
August 21, 2014

Mr. Larry Mandel
Vice Chancellor & Chief Audit Officer
The California State University
Audit & Advisory Services
401 Golden Shore, 4th Floor
Long Beach, CA 90802

Campus Response to Executive Travel Audit (#14-36) at
San José State University.

Enclosed is San José State University's response to the Executive Travel
Audit (#14-36). The campus is committed to addressing the issues identified
in this audit report.

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

Shawn Bibb
Vice President, Administration & Finance

Enclosure

cc: Mo Qayoumi, President
EXECUTIVE TRAVEL
SAN JOSÉ STATE UNIVERSITY
Audit Report 14-36

TRAVEL AUTHORIZATIONS AND EXPENDITURES

CAR ALLOWANCE

Recommendation 1

We recommend that the campus, in conjunction with the Foundation, implement procedures to prevent the payment of mileage expenses to executives with monthly car allowances.

Campus Response

We concur. The campus will implement procedures in conjunction with the Foundation to prevent the payment of mileage expenses to executives with monthly car allowances.

To be completed by end of November 2014.

SPOUSAL TRAVEL

Recommendation 2

We recommend that the campus and the Foundation develop and implement written policies or procedures addressing the documentation and approvals required for payment or reimbursement of spousal travel that, at a minimum, comply with systemwide requirements.

Campus Response

We concur. The campus and the Foundation will develop and implement written policies specifying the documentation and approvals required for spousal travel expenses coverage in compliance with systemwide requirements.

To be completed by end of November 2014.

ACCOUNT AUTHORIZATION AGREEMENT

Recommendation 3

We recommend that the Foundation update the authorization agreement for the president’s Tower Community Fund to include the purpose of the account, account disclosures, and campus authorizations.
Campus Response

We concur. The Foundation will update the authorization agreement for the president’s Tower Community Fund to include the purpose of the account, account disclosures, and campus authorizations.

To be completed by end of October 2014.

CONFLICT-OF-INTEREST REPORTING

Recommendation 4

We recommend that the campus remind all executives that travel paid for by third parties may be subject to conflict-of-interest reporting on the annual statement of economic interests form.

Campus Response

We concur. The campus will remind all executives that (a) travel paid for by third parties may be subject to conflict-of-interest reporting on the annual statement of economic interests form, and (b) it is the responsibility of each individual to make sure that their reporting is complete.

To be completed by end of November 2014.

INTERNATIONAL TRAVEL

Recommendation 5

We recommend that the campus:

a. Review travel authorization forms to ensure that funding sources are appropriately noted.
b. Submit state travel claims when state funds are used for international travel.
c. Submit Foundation travel claims when Foundation funds are used for international travel.
d. Maintain documentation of all costs incurred on international trips.

Campus Response

We concur. We will remind the campus to make sure that:

a. Travel authorization forms clearly require information on funding sources.
b. State travel claims are submitted when state funds are used for international travel.
c. Foundation travel claims are submitted when Foundation funds are used for international travel.
d. Documentation of all costs incurred on international trips will be maintained.

To be completed by end of November 2014.
TRAVEL CARD TRANSACTIONS

Recommendation 6

We recommend that the campus comply with GoCard and CSU policies relating to prepaid travel expenses.

Campus Response

We concur. The campus will strengthen Accounts Payable procedure to enforce compliance by users to GoCard and CSU policies relating to prepaid travel expenses.

To be completed by end of November 2014.

DIRECTLY BILLED EXPENSES

Recommendation 7

We recommend that the campus:

a. Remind executives and their travel claim preparers that travel expense claims should include the cost of all directly billed airline or rental car expenses as prepaid expenses, along with itemized receipts for the expenses.

b. Remind executives and their travel claim preparers that travel expense claims should be processed for all directly billed transactions.

c. Obtain reimbursement of the $50.19 rental car charge that was directly billed to the campus and paid to the executive in question.

Campus Response

We concur. The campus will implement the following compliance actions:

a. Remind executives and their travel claim preparers that claims should include the cost of all directly billed airline or rental car expenses as prepaid expenses, along with itemized receipts for the expenses.

b. Remind executives and their travel claim preparers that claims should be processed for all directly billed transactions.

c. Obtain return of funds in the amount of $50.19 of the incorrect car rental reimbursement paid to an executive for a rental car charge that was directly billed to the campus.

To be completed by end of October 2014.
TRAVEL AUTHORIZATIONS

Recommendation 8

We recommend that the campus remind the executives and their travel authorization preparers that travel authorizations are required to be completed, maintained, and appropriately approved prior to travel.

Campus Response

We concur. The campus will remind the executives and their travel authorization preparers that travel authorizations are required to be completed, appropriately approved prior to travel, and maintained on file.

To be completed by end of October 2014.

TRAVEL EXPENDITURES

Recommendation 9

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

Campus Response

We concur. The campus will strengthen control to ensure that the traveling executives and their travel expense claim preparers adhere to all campus and CSU requirements.

To be completed by end of November 2014.
October 6, 2014

MEMORANDUM

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

FROM: Timothy P. White
Chancellor

SUBJECT: Draft Final Report 14-36 on Executive Travel, San José State University

In response to your memorandum of October 6, 2014, I accept the response as submitted with the draft final report on Executive Travel, San José State University.

TPW/amd