

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

August 30, 2023

Dr. Sylvia Alva, President
California State University, Fullerton
800 N. State College Boulevard
Fullerton, CA 92834

Dear Dr. Alva:

Subject: Audit Report 22-25, Executive Travel and Hospitality, California State University, Fullerton

We have completed an audit of *Executive Travel and Hospitality* as part of our 2022-2023 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

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

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

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Jolene Koester, Interim Chancellor
Yammilette Rodriguez, Chair, Committee on Audit
Jean Picker Firstenberg, Vice Chair, Committee on Audit

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EXECUTIVE TRAVEL AND HOSPITALITY

**California State University,
Fullerton**

Audit Report 22-25
August 30, 2023

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to executive travel and hospitality and to ensure compliance with relevant federal and state regulations; Trustee policy; Office of the Chancellor (CO) directives; and campus and auxiliary procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for executive travel and hospitality expenditures as of June 8, 2023, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the administration of executive travel and hospitality expenditures; the campus expanded its use of the Concur expense system in late 2022 to streamline processes for submitting and approving most travel and hospitality expenses. However, we identified a few areas that needed improvement relating to documentation for travel expenditures. For example, we found one instance where a travel claim was approved by an executive's direct report, one instance where the business purpose of a trip was not sufficiently documented, and one instance where the role of a spouse on a trip was not fully documented.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. TRAVEL EXPENDITURES

OBSERVATION

The campus did not consistently comply with established travel claim procedures related to required support, approvals, and timeliness.

We reviewed 18 travel expenditures for compliance with the *CSU Travel and Business Expense Reimbursements Policy* (CSU Travel Policy) to ensure that they were properly authorized, within policy limits, incurred for appropriate business purposes, and adequately documented.

We found that:

- In two instances, support for expenses over \$75, such as for flights, car rentals, and foreign visa applications, were not itemized or contained insufficient information to verify what goods or services were purchased. Although the campus was able to provide itemized receipts and proof of payment upon request, this support was not included as part of the original travel claim package submitted for approval as required by the CSU Travel Policy. Upon review of the additional support, we noted that the expenses appeared appropriate.
- In one instance, a travel claim was submitted for two trips in which a business purpose was not documented, and the traveler's direct report approved the travel claim. The campus explained that the trip was part of normal business and the executive's superiors were informed of the travel prior to the trip; however, the business purpose of the trip and the appropriate approvals were not documented.
- In one instance, a spouse that is appointed as a university volunteer and routinely accompanies the executive to events/meetings in an official capacity, participated in an international trip, but documentation of the spouse's role was not included in this particular authorization and claim transaction. Per the CSU Travel Policy, documentation such as an agenda, invitation, or meeting notes should be provided to show that the spouse's attendance serves a bona fide university business purpose.
- In one instance, a traveler with a monthly auto allowance claimed and was reimbursed for mileage. Per the CSU Travel Policy, individuals receiving a car allowance are precluded from mileage reimbursement for university-related travel when using their personal vehicle. The campus subsequently billed the traveler during fieldwork to recoup the amount paid.
- In four instances, a travel claim was submitted more than 60 days after the end of travel. Both the campus *Travel Policy and Procedures* and the CSU Travel Policy dictate that travel claims must be submitted within 60 days of the return of the trip.

Proper administration of executive travel can help ensure that all expenditures are adequately reviewed and approved by the appropriate individuals and compliant with systemwide and campus policy and procedures, and can help minimize the risk of misappropriation of funds.

RECOMMENDATION

We recommend that the campus remind appropriate personnel of travel claim requirements, emphasizing the items noted above.

MANAGEMENT RESPONSE

We concur. The campus will provide training to appropriate personnel on travel claim requirements, emphasizing the items identified in the report.

The anticipated date of completion is December 31, 2023.

GENERAL INFORMATION

BACKGROUND

The California State University (CSU) pays or reimburses travel and hospitality expenses that are ordinary, reasonable, appropriate, and necessary to conduct official university business and serve a purpose consistent with the mission and fiduciary responsibilities of the university. 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, business meetings, fundraising events, development activities, and recruitment of staff and students.

The primary CSU policies governing travel are Executive Order (EO) 688, *Delegation of Authority – Approval of Travel Requests*, last revised September 3, 2020, and Integrated California State University Administrative Manual (ICSUAM) §3601.01, *CSU Travel and Business Expense Reimbursement Policy*, which was last revised August 18, 2022. EO 688 delegates authority to each president to subdelegate authority to approve travel requests for campus personnel. ICSUAM §3601.01 requires travelers to have documented authorization for travel prior to departure, requires travel expense claims to be timely submitted after trip completion, and discusses the procedures and documents necessary to obtain approval for reimbursement of travel expenses. The policy also defines methods and types of travel expenses that are eligible or ineligible for reimbursement, and incorporates California Assembly Bill 1887, which restricts state agencies from approving state-funded or state-sponsored travel to certain states that have enacted a law that discriminates on the basis of sexual orientation, gender identity, or gender expression.

The CSU also has an additional policy for international travel, Coded memorandum Risk Management (RM) 2014-01, *International Travel Approval Process and Requirement to Purchase Insurance*, dated October 27, 2014. This memorandum requires all faculty, students, and staff to obtain foreign travel insurance through the California State University Risk Management Authority (CSURMA). It also requires additional approvals for travel to high-hazard areas or countries on the U.S. State Department Travel Warning List.

The primary CSU policy governing hospitality is ICSUAM §1301.00, *CSU Hospitality Policy*, which was last revised on September 8, 2020. It applies to activities that promote the CSU to the public and the provision of hospitality in connection with official CSU business, and it specifies the university and auxiliary funds that may be used for such purposes. Each campus and its auxiliaries are required to develop written procedures, consistent with this policy, regarding the payment of ordinary and necessary hospitality expenditures. The policy governs the appropriate use of state, auxiliary, sponsored programs, trust, and agency funds unless legally exempted or otherwise restricted. The policy also defines allowable and unallowable expenditures, allowable funding sources, and appropriate approval processes.

At California State University, Fullerton (CSUF), the accounts payable and travel operations (AP&T) and contracts and procurement (C&P) departments within financial services are responsible for the oversight of travel and hospitality management activities and ensure compliance with systemwide and campus policies and procedures. Specifically, the AP&T and C&P departments are responsible for ensuring that university expenditures are properly approved, timely and accurately recorded, and consistent with overall guidelines and

regulations. The AP&T department is overseen by the university controller, and the C&P department is overseen by the senior director of contracts and procurement, who both report to the senior associate vice president for financial services, who in turn reports to the vice president of administration and finance.

SCOPE

We performed fieldwork from April 10, 2023, through June 8, 2023. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2022, to June 8, 2023.

Specifically, we reviewed and tested:

- Administration of university business travel and hospitality for executives to ensure responsibilities are well-defined and include clear lines of organizational authority and documented delegations of authority.
- Campus travel and hospitality policies and procedures to ensure they are current, comprehensive, and consistent with CSU policy.
- Appropriateness of funds used to pay for executive travel and hospitality.
- Travel and hospitality expenditures for executives to ensure they are properly authorized, incurred for appropriate business purposes, adequately documented, and in compliance with CSU and campus policies and procedures.
- Payments or reimbursements of travel and hospitality expenditures to non-campus employees such as spouses or domestic partners of campus executives to ensure they are appropriate and in compliance with CSU and campus policies and procedures.

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.

Our testing and methodology, which was designed to provide a review of key operational, administrative, and financial controls, included interviews, walkthroughs, and detailed testing on certain aspects of executive travel and hospitality expenditures. Our review was limited to gaining reasonable assurance that essential elements of travel and hospitality expenditures were in place and did not examine all aspects of the program. Also, we did not review travel and hospitality expenditures related to sponsored programs.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; and campus and auxiliary procedures; as well as sound administrative practices and consideration of the potential

impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

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

- Government Code 13402 and 13403, *State Leadership Accountability Act*
- Education Code 89753, *Expenditures and Control*
- Assembly Bill 1887, *Prohibition on State-Funded and State-Sponsored Travel to States with Discriminatory Laws*
- EO 688, *Delegation of Authority – Approval of Travel Requests*
- EO 731, *Designation of Chief Financial Officer*
- EO 1000, *Delegation of Authority and Responsibility*
- EO 1031, *Systemwide Records/Information Retention and Disposition*
- *CSU Hospitality Policy*
- *CSU Travel and Business Expense Reimbursement Policy*
- *CSU Contracts and Procurement Policy*
- *CSU Information Security Policy and Standards*
- RM 2014-01, *International Travel Approval Process and Requirement to Purchase Insurance*
- *CSUF Travel Policy and Procedures*
- *CSUF Administrative Guidelines for Implementing CSU Hospitality Policy*

AUDIT TEAM

Senior Audit Manager: Hannah Gardener
Senior Auditor: Matthew Shum