

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

June 28, 2023

Dr. Cathy A. Sandeen, President
California State University, East Bay
25800 Carlos Bee Boulevard
Hayward, CA 94542

Dear Dr. Sandeen:

Subject: Audit Report 22-27, Executive Travel and Hospitality, California State University, East Bay

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,
East Bay**

Audit Report 22-27
June 28, 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 May 5, 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. Overall, travel and hospitality expenditures were properly supported, had a documented business purpose, were submitted timely, and followed expense limits set by policy.

However, we found that approvals and campus policy needed improvement. Specifically, the campus did not consistently have documented delegations of authority in place for individuals approving expenditures, and in a couple of instances, an executive approved their own expenditures. Additionally, we found that campus policies and procedures needed to be strengthened to address some of these issues and to address the support and approvals required when events are attended by a spouse, domestic partner, or family members.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. EXPENSE ADMINISTRATION

OBSERVATION

Delegations of authority were not always in place and campus policies and procedures did not address certain approval processes.

We reviewed 21 travel claims and 23 hospitality expenditures against CSU travel and hospitality policies to ensure that they were properly authorized, within policy limits, incurred for appropriate business purposes, and adequately documented. Although we noted that the expenditures were properly supported and had a documented business purpose, we found that:

- The delegation of authority (DOA) was not in place for two individuals approving executive expenses, as required by Executive Order 1000, *Delegation of Fiscal Authority and Responsibility*, although the individuals appeared appropriate. The provost and chief of staff approved 13 travel expenditures and two hospitality expenditures without a DOA on file. However, we noted that the expenditures appeared to be appropriate.
- For two travel and three hospitality expenditures, approvers were not authorized signatories on campus trust fund agreements. However, we noted that the expenditures appeared to be signed by an appropriate individual, such as the provost, associate dean, interim dean, or chief of staff.
- Two hospitality expenditures within the athletics department, relating to donor relations and employee morale and totaling \$688.52, were approved by the executive who incurred the expenses, which is prohibited by the *CSU Hospitality Policy*. In addition, for one of these expenditures, totaling \$330.88, multiple spouses, domestic partners, and family members attended a hospitality event without approval by the campus president or designee and the support for the expenditure did not include an agenda, invitation, or similar documentation, as required by the *CSU Hospitality Policy*. The campus *Hospitality Policy* did not address the approval process to ensure that individuals do not approve their own expenses or those of the people they report to directly or indirectly, or the approval process for hospitality events attended by a spouse, domestic partner, and/or family member.

Proper administration of DOAs and campus trust agreements can help to minimize the risk of misappropriation of funds and ensure that all expenditures are adequately reviewed and approved by the appropriate individuals. Additionally, complete and updated policies and procedures can provide guidance and improve operational compliance.

RECOMMENDATION

We recommend that the campus:

- a. Execute DOAs for the provost and chief of staff to approve executive travel and hospitality expenditures.

- b. Update campus trust agreements for the examples noted above to include all authorized individuals.
- c. Update the campus travel and hospitality policies to address appropriate levels of approval for expenses, as well as the approval process and requirements for events attended by spouses, domestic partners, and family members.
- d. Reiterate travel and hospitality requirements, emphasizing the items noted above, and distribute the updated policies and procedures to appropriate personnel.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Update DOAs to include authorized individuals to approve executive travel and hospitality expenditures.
- b. Update campus trust agreements to include all authorized individuals.
- c. Update the campus travel and hospitality policies to address appropriate levels of approval for expenses as well as the approval process and requirements for events attended by spouses, domestic partners, and family members.
- d. Conduct campus-wide training on updated travel and hospitality policies. These updated travel and hospitality policies will be posted on the university policy library website for direct and easy access by the campus community.

We will complete all of the above by November 15, 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, East Bay (CSUEB), the accounts payable (AP) department within financial services is responsible for the oversight of travel and hospitality management activities and ensures compliance with systemwide and campus policies and procedures. Specifically, the AP department is responsible for ensuring that university expenditures are properly approved, timely and accurately recorded, and consistent with overall guidelines and regulations. The AP department is overseen by the university controller, who reports to the

associate vice president for financial services, who reports to the vice president of administration and finance.

SCOPE

We performed fieldwork from April 10, 2023, through May 5, 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 May 5, 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*
- *CSUEB Hospitality Policy*
- *CSUEB Travel Policy*

AUDIT TEAM

Senior Audit Manager: Hannah Gardener
Senior Auditor: Alexandra Gonzalez