

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

August 14, 2023

Dr. Tom Jackson, Jr., President  
California State Polytechnic University, Humboldt  
1 Harpst Street  
Arcata, CA 95521

Dear Dr. Jackson:

**Subject: Audit Report 22-39, Executive Travel and Hospitality,  
California State Polytechnic University, Humboldt**

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 Polytechnic University, Humboldt**

Audit Report 22-39  
August 14, 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 19, 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. Overall, travel and hospitality expenditures were properly supported, had a documented business purpose, and were submitted timely.

However, we found that there were instances of executive travel to banned states using state funds without documentation showing that the trip met the legislative exception under Assembly Bill (AB) 1887. We also found some executive hospitality meal expenses that exceeded the per-person limit set forth by campus policy.

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

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. BANNED STATE TRAVEL

#### OBSERVATION

Compliance with travel policies needed improvement.

Assembly Bill (AB) 1887, *Prohibition on State-Funded and State-Sponsored Travel to States with Discriminatory Laws*, is a California law that restricts state agencies from using state funds to travel to certain states unless certain exceptions are met. California State University (CSU) policy defines the approvals and documentation required to qualify for an exception under the law.

During our review of travel expenses, we found two instances of travel to banned states by executives using state funds. Both trips were for campus athletics events. Although the campus took steps to document the circumstances for the trips, the documentation was not sufficient to demonstrate that the travel qualified for an exception under AB 1887.

Proper administration of executive travel can help reduce the risk of noncompliance with laws and systemwide policies and help ensure that the appropriate funds are used.

#### RECOMMENDATION

We recommend that the campus reiterate to appropriate personnel that campus counsel should be consulted before any campus employee travels to a banned state using state funds to determine whether the trip falls under an exception specified in AB 1887, and that this determination should be documented.

#### MANAGEMENT RESPONSE

The campus concurs. The campus will reiterate to appropriate personnel the process for consulting with campus counsel before any campus employee travels to a banned state using state funds to determine whether the trip falls under an exception specified in AB 1887 and to receive documentation of such determination.

Expected completion date: August 31, 2023

### 2. HOSPITALITY CLAIMS

#### OBSERVATION

Compliance with campus hospitality policies needed improvement.

We reviewed a sample of 15 hospitality claims and noted that in three instances, claims included meal expenses that exceeded the maximum per person rate stated in the campus *Hospitality Policy*.

Compliance with hospitality policies helps to ensure that all expenditures are appropriate, allowable, and within budget.

**RECOMMENDATION**

We recommend that the campus remind appropriate personnel of campus hospitality meal limits to address the issues noted above, and define a process to approve any applicable exceptions.

**MANAGEMENT RESPONSE**

The campus concurs. The campus will send out a communication to remind appropriate personnel of campus hospitality meal limits and update its travel policy to define a process to approve any applicable exceptions.

Expected completion date: August 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 Polytechnic University, Humboldt (Cal Poly Humboldt), the contracts, procurement, and accounts payable department is responsible for the oversight of travel and hospitality management activities and ensures compliance with systemwide and campus policies and procedures. Specifically, the department is responsible for ensuring that university expenditures are properly approved, timely and accurately recorded, and consistent with overall guidelines and regulations. Travel administration is overseen by the director of

procurement, who reports to the executive director of budget and finance, who in turn reports to the vice president of administration and finance.

## SCOPE

We performed fieldwork from April 10, 2023, through May 19, 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 19, 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*
- ICSUAM §1301, *CSU Hospitality Policy*
- ICSUAM §3601.01, *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*
- *Cal Poly Humboldt Hospitality Policy*
- *Cal Poly Humboldt Travel Policy*

#### **AUDIT TEAM**

Senior Audit Manager: Christina Chen  
Internal Auditor: Rita Guy