

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

August 19, 2024

Dr. Steve Perez, President
California State University, Chico
400 W. First Street
Chico, CA 95929

Dear Dr. Perez:

Subject: Audit Report 23-11, Executive Travel and Hospitality, California State University, Chico

We have completed an audit of *Executive Travel and Hospitality* as part of our 2023-2024 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 university personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor
Lillian Kimbell, Chair, Committee on Audit
Anna Ortiz-Morfit, Vice Chair, Committee on Audit

CSU Campuses

Bakersfield • Channel Islands • Chico • Dominguez Hills • East Bay • Fresno • Fullerton • Humboldt • Long Beach • Los Angeles • Maritime Academy • Monterey Bay
Northridge • Pomona • Sacramento • San Bernardino • San Diego • San Francisco • San José • San Luis Obispo • San Marcos • Sonoma • Stanislaus

EXECUTIVE TRAVEL AND HOSPITALITY

**CALIFORNIA STATE UNIVERSITY,
CHICO**

**AUDIT REPORT 23-11
AUGUST 19, 2024**



EXECUTIVE SUMMARY

AUDIT OBJECTIVES AND BACKGROUND

In accordance with the fiscal year 2023/24 Audit Plan, as approved by the Board of Trustees, Audit and Advisory Services performed an audit of executive travel and hospitality at California State University, Chico (Chico State).

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 university procedures.

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.

For the purposes of this review, executives were defined as the university president, vice presidents, college deans, and athletics director. This review included travel and hospitality expenses funded by state and auxiliary funds, with a focus on high-dollar transactions and individuals with a high frequency of expenses. At Chico State, auxiliary-funded travel and hospitality expenses are primarily paid through the University Foundation (UF) and Chico State Enterprises (CSE) using philanthropic and campus program funds.

OVERALL CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for executive travel and hospitality as of June 13, 2024, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

AUDIT SCOPE AND RESULTS

In general, we found that executive travel and hospitality administration was effective and in compliance with CSU policies and procedures. Chico State and its auxiliaries retain experienced teams and maintain well-defined processes that sufficiently guide employees who use state and auxiliary funds for travel and hospitality.

However, our review did note a few opportunities to improve the quality and completeness of supporting documentation for travel and hospitality expenditures. A summary of the observations noted in the report is presented in the table below. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
Travel Expenses	Administration of travel claims, funding and payment methods, university and auxiliary travel expense procedures, delegation of authority, travel advances, sample travel expenses review, training, and record retention	<i>Observation noted in documentation practices</i>
Hospitality Expenses	Administration of hospitality expenses, funding and payment methods, university and auxiliary hospitality expense process, delegation of authority, sample hospitality expenses review, training, and record retention	<i>Observation noted in documentation practices</i>
Systems Access	Systems used to process travel and hospitality expenditures and user-access control	<i>Effective – no reportable observations noted</i>

The audit focused on procedures in effect from July 1, 2022, to June 13, 2024. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. Our review was limited to gaining reasonable assurance that essential elements of an executive travel and hospitality program were in place and did not examine all aspects of the program.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. TRAVEL AND HOSPITALITY EXPENDITURE DOCUMENTATION

OBSERVATION

The university did not always include sufficient documentation in travel and hospitality expense claims to fully demonstrate compliance with established policies and procedures.

We reviewed 30 travel claims and 25 hospitality expenditures for compliance with CSU, university, and auxiliary policies and procedures to ensure that they were properly authorized, within policy limits, incurred for appropriate business purposes, and adequately documented.

We found that expenses were generally compliant with applicable policies and procedures. However, we did note several instances of auxiliary-funded travel where dollar limitations on lodging were exceeded without written justification or explanation. Upon further discussion with management, we noted that the expense amounts appeared to be appropriate. Additionally, we identified a few opportunities to improve documentation practices in the areas of meal limits for hospitality and spousal attendance at business events that were discussed with university management during the course of the review.

Fully documented travel and hospitality claims facilitate review and approval processes and enhance accuracy, transparency, and compliance with applicable policies and procedures.

RECOMMENDATION

We recommend that the university remind executives and appropriate personnel reviewing and approving travel and hospitality claims of policy and documentation requirements related to the areas noted above.

MANAGEMENT RESPONSE
<p>We agree with the recommendation. The campus will develop a communication strategy to remind executives and appropriate personnel of the policy and documentation requirements identified in the audit.</p> <p>Expected completion date: October 1, 2024</p>

GENERAL INFORMATION

ADDITIONAL BACKGROUND

The primary CSU policies governing travel are Executive Order (EO) 688, *Delegation of Authority – Approval of Travel Requests*, last revised September 3, 2020, and the CSU *Travel and Business Expense Payments* policy, which was last revised November 1, 2023. The *Travel and Business Expense Payments* policy 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.

The primary CSU policy governing hospitality is the CSU *Hospitality Policy*, which was last revised on June 27, 2023. 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 university 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 Chico State, the procurement, contract services, and accounts payable (AP) department within the Division of Business and Finance Services is responsible for the oversight of travel and hospitality management activities and ensures compliance with systemwide and university 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 manager of strategic initiatives and accounts payable, who reports to the associate vice president for financial services, who reports to the interim vice president for business and finance and chief financial officer.

Executive travel and hospitality at Chico State may also be funded by two auxiliaries: the UF and CSE. Both UF and CSE travel and hospitality expenditures are processed by CSE accounting staff.

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 university 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*
- CSU *Delegation of Authority – Approval of Travel Requests*
- CSU *Designation of Chief Financial Officer*
- CSU *Delegation of Authority and Responsibility*
- CSU *Systemwide Records/Information Retention and Disposition*
- CSU *Contracts and Procurement Policy*

- *CSU Hospitality Policy*
- *CSU Information Security Policy and Standards*
- *CSU Travel and Business Expense Reimbursement Policy*
- *Coded memorandum Risk Management 2014-01, International Travel Approval Process and Requirement to Purchase Insurance*
- *Chico State Hospitality Procedures*
- *CSE Travel Policy*
- *CSE Hospitality Expense Policy*

AUDIT TEAM

Audit Manager: Kyle Ishii

Internal Auditor: Ron Best