

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

October 19, 2020

Dr. Judy K. Sakaki, President
Sonoma State University
1801 East Cotati Avenue
Rohnert Park, CA 94928

Dear Dr. Sakaki:

Subject: Audit Report 20-33, *Travel and Hospitality Expenditures*, Sonoma State University

We have completed an audit of *Travel and Hospitality Expenditures* as part of our 2020-21 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*.

There were no reportable observations revealed during the review. The final audit report has been posted to Audit and Advisory Services' website.

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

Sincerely,



Vlad Marinescu
Interim Chief Audit Officer

c: Timothy P. White, Chancellor
Adam Day, Chair, Committee on Audit
Jane W. Carney, Vice Chair, Committee on Audit

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TRAVEL AND HOSPITALITY EXPENDITURES

Sonoma State University

Audit Report 20-33
October 19, 2020

EXECUTIVE SUMMARY

OBJECTIVE

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

CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for travel and hospitality expenditures as of September 24, 2020, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

There were no reportable observations revealed during the review.

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 services, 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*, dated September 16, 1998, and Integrated California State University Administrative Manual (ICSUAM) §3601.01, *CSU Travel and Business Expense Reimbursement Policy*, which was last revised June 24, 2020. 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. 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 March 25, 2013. It 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. California Assembly Bill 1887 restricts state agencies from requiring its employees to travel to any state that has enacted a law that discriminates on the basis of sexual orientation, gender identity, or gender expression.

The primary CSU policy governing hospitality is ICSUAM §1301.00, *Hospitality*, which was last revised on September 14, 2018. It applies to activities that promote the CSU to the public and the provision of hospitality in connection with official CSU business and 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 Sonoma State University (SSU), the Seawolf Service Center (SSC) within the Financial Services division was responsible for administering an effective travel program until January 2020. On February 1, 2020, the responsibilities performed by the SSC transitioned to the accounts payable (AP) department within the Financial Services division. The AP department is now responsible for the oversight of both travel and hospitality management activities and ensures compliance with systemwide and campus policies and procedures. Specifically, the AP department is responsible for the timely and accurate recording of university expenditures and for ensuring that vendors, faculty, staff, and students are paid in a timely, accurate, and

efficient manner consistent with the overall guidelines and regulations. The AP department is overseen by the managing director for contracts, procurements, and AP, who reports to the associate vice president (AVP) of financial services. The AVP of financial services reports to the vice president of administration and finance.

SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from August 3, 2020, through September 24, 2020. 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, 2018, to September 24, 2020.

Specifically, we reviewed and tested:

- Administration of university business travel and hospitality for faculty, staff, and students is well defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- Campus travel and hospitality policies and procedures are current, comprehensive, and consistent with CSU policy.
- Funds used to pay for travel and hospitality are appropriate.
- Travel and hospitality expenditures are properly authorized, incurred for appropriate business purposes, adequately documented, and in compliance with CSU and campus policies and procedures.
- Foreign travel insurance is obtained through the CSURMA for international travels.
- Payments or reimbursements of travel and hospitality expenditures to non-campus employees such as prospective employees, independent contractors, consultants, official guests, volunteers, spouses, or domestic partners of campus employees are appropriate and in compliance with CSU and campus policies and procedures.
- Retention and storage of travel and hospitality records are adequate and consistent with CSU and campus policy.
- Reconciliations, monitoring, and review of travel and hospitality transactions.
- Access to systems used in travel and hospitality administration.

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 and detailed testing on certain aspects of 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 expenditures. Also, we did not review travel and hospitality expenditures related to auxiliaries and 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 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 760, *Procurement Cards*
- EO 1000, *Delegation of Authority and Responsibility*
- EO 1031, *Systemwide Records/Information Retention and Disposition*
- EO 1041, *CSU Student Travel Policy*
- EO 1069, *Risk Management*
- ICSUAM §1205, *Athletic Group Travel*
- ICSUAM §1301, *Hospitality, Payment or Reimbursement of Expenses*
- ICSUAM §3130.01, *Accounts Receivable Management*
- ICSUAM §3601.01, *CSU Travel and Business Expense Reimbursement Policy*
- ICSUAM §8060, *Access Control*
- ICSUAM §8080, *Physical Security*
- ICSUAM §13680, *Placement and Control of Receipts for Campus Activities and Programs*
- *CSU Contracts and Procurement Policy*
- Coded memorandum Human Resources 2018-07, *Updated Moving and Relocation Policy and CSU Internal Procedures Governing Reimbursement for Moving and Relocation Expenses*
- RM 2011-02, *Independent International Travel – Students*
- RM 2014-01, *International Travel Approval Process and Requirement to Purchase Insurance*
- *SSU Hospitality Expenses Policy*
- *SSU Seawolf Services Travel Policies*
- *SSU Procurement Card Handbook for Cardholders*
- *SSU Travel FAQ*
- *SSU Moving and Relocation Allowance Policy*
- *SSU Guidelines for International Travel*
- *SSU Athletic Group Travel Policy*

AUDIT TEAM

Senior Audit Manager: Caroline Lee
Senior Auditor: Chris Fennell