Florida Gulf Coast University Board of Trustees
January 17, 2012

SUBJECT: Travel Expenditures Audit

PROPOSED BOARD ACTION

Accept the internal audit of Travel Expenditures provided to President Wilson Bradshaw, Vice President for Administrative Services & Finance Steve Magiera, Assistant Vice President for Administrative Services/Controller Linda Bacheler, and, Director of Procurement Services Maryan Egan on December 6, 2011.

BACKGROUND INFORMATION

This report presents a limited-scope audit of travel expenditures made by Florida Gulf Coast University personnel during fiscal year 2011. Our objectives were to determine if 1) travel expenditures incurred by University personnel conformed to travel policies and procedures, and 2) the systems of internal controls over the processing of travel expenditures was adequate.

This audit was part of the 2011 - 2012 internal audit plan approved by the FGCU Board of Trustees at its June 21, 2011 meeting.

Supporting Documentation Included: Travel Expenditures Audit Issued December 6, 2011

Prepared by: Director of Internal Audit Carol Slade

Legal Review by: General Counsel Vee Leonard (December 5, 2011)

Submitted by: President Wilson G. Bradshaw
INTEROFFICE MEMORANDUM

To: Steve Magiera, Vice President, Administrative Services and Finance  
    Linda Bacherer, Assistant Vice President, Administrative Services/Controller  
    Maryan Egan, Director, Procurement Services

Cc: Dr. Wilson Bradshaw, President
    Susan Evans, Chief of Staff

From: Deborah McEwan, Senior Auditor  
    Carol Slade, CIA, CPA, Director, Internal Audit

Date: December 6, 2011

Re: Travel Expenditures Audit: FY2011 (FINAL REPORT)

Please see the attached final report of the Travel Expenditures Audit, which includes the management response. The report is dated December 1, 2011, which is the date Internal Audit received the management response from the Director of Procurement Services.

Vee Leonard, General Counsel, completed a legal review of the audit report. The audit was performed by Deborah McEwan, Senior Auditor. It was reviewed by Carol Slade, the Director of Internal Audit.
Florida Gulf Coast University
Travel Expenditures Audit: Fiscal Year 2011
Internal Audit
Report Date: December 1, 2011
EXECUTIVE SUMMARY

This Report represents a limited-scope audit of travel expenses incurred by University personnel during fiscal year 2011. In general, a sample of travel-related expenditures revealed that these expenses were reasonable, and the expense reimbursement processes were well-managed. The University has implemented and maintained comprehensive travel policies and procedures, which undergo continuous review and revisions as needed. However, the observations listed on Page 5 of this Report revealed:

- Isolated travel instances in which Travel Authorization Requests were not submitted prior to traveling on University business as well as minor travel expense errors.
- An observation pertaining to the segregation of duties in the reconciliation process of preloaded travel expense cards.

Missing Travel Authorization Requests question the legitimacy of authorized travel expenses and may prohibit the employees’ access to any potential claims for Workman’s Compensation while traveling. Subsequent review of these exceptions yielded no legitimacy concerns, but rather a failure to comply with University travel policies. All observations include recommendations which delineate specific areas in which the travel procedures may be enhanced to further minimize policy non-compliance and enhance protection of both the University’s and employees’ interests. These recommendations may be addressed by management in the normal course of business.

OBJECTIVES

A. Determine if travel expenses incurred by University personnel conform to travel policies and procedures.

B. Determine the adequacy of the system of internal controls over the processing of travel expenditures.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors. The audit procedures provided a reasonable basis for our opinion and the following reportable observations and recommendations.
BACKGROUND

Based on current economic conditions, incidents of occupational fraud are becoming increasingly common and pervasive in most workplace environments. Unfortunately, Florida Gulf Coast University is not immune from this type of threat. Occupational fraud is the misuse and/or abuse of an employer’s assets, which has become more prolific in recent years. The potential abuse of University assets through travel expenditures is considered a credible area of risk which is directly reflected in the decision to conduct this audit. In addition, this audit was included and approved in the fiscal year 2012 Internal Audit Plan.

SCOPE - End of Fieldwork was November 1, 2011

Population: The population consisted of all travel expenditures that were incurred during fiscal year 2011(FY2011), which was retrieved by Information Systems from the Banner Finance database. As an aggregate, there were 10,879 travel related entries, which totaled $2,762,239 and represented 2% of total fiscal year expenditures.

Sample Selection: A computer-assisted random sample was selected from all travel categories for a total random sample quantity of 60. The aggregate dollar value of these 60 travel entries was $26,807. Due to the large volume of small travel entries, an additional judgmental selection of 4 large dollar entries was also included in the sample.

The entire sample of 64 travel entries totaled $53,907, which was approximately 2% of the total population of travel expenditures during FY2011.

GENERAL INFORMATION

Travel Authorization Request (TAR)

University employees routinely incur travel expenditures during the normal course of business. Properly approved travel expenditures must benefit the State of Florida and/or the University. Typically, the traveler’s supervisor approves an employee’s travel activity through a signature acknowledgment on a Travel Authorization Request (TAR) form which includes the specific details such as dates and location along with the purpose of the trip. The TAR also certifies that the travel is mission critical and performed in accordance with Section 112.061, Florida Statutes. According to Finance and Accounting Policy and Procedures, the TAR should be approved and submitted at least 5 days prior to the date of departure. A letter of justification is required from a supervisor if a TAR is submitted after the travel has taken place, and any travel reimbursement should be withheld until the letter is received.
A completed TAR documents the approval and purpose of the trip and ensures that the employee is covered by Workmen’s Compensation while on travel status.

**Purchasing Cards (P-Cards)**

P-Cards are issued to various University employees to make specific, routine purchases and payments while conducting University business. Employees are allowed to purchase directly from merchants without undergoing the purchase order or reimbursement process. An employee who is currently a cardholder may charge specific travel expenses as defined and allowed in the travel section of the *Finance and Accounting Policy and Procedures.*

**Athletic Team Travel Cards (TT-Cards)**

TT-Cards are declining balance cards enabling athletic teams to conveniently purchase food items while traveling during their respective sport’s season. P-Cards cannot be used to purchase these food items. The TT-Card process is similar to requesting a cash advance, since the cards are preloaded with an approved dollar amount for a specified span of time. The card minimizes the risk of carrying significant amounts of cash which may be needed to provide meals during team travel. The TT-Card is accepted by food merchants who accept Visa.

**Group Travel (GT – Cards)**

Similar to the TT-Cards, GT-Cards are also declining balance cards enabling other University groups that are traveling on official business to conveniently purchase travel-related items such as transportation, lodging, and food. The GT-Card is also preloaded with a specific dollar amount and span of time. Based on this audit, the GT-Card may typically be used for a faculty-led study abroad trip.

All P-Cards, TT-Cards, and GT-Cards transactions are required to undergo a routine reconciliation process with the receipts which capture actual charges and with the card statements. This reconciliation process is used to minimize errors and the potential for fraud. In addition, the purchases of each cardholder are also audited annually by Procurement Services.
OBSERVATIONS AND RECOMMENDATIONS

I. Employee Athletic Travel without a Travel Authorization Request

*Condition:* During FY2011, at least three coaches incurred travel expenses without submission of a completed Travel Authorization Request (TAR). These exception items reflect non-compliance with University policy and procedures. All of these travel expenses involved athletic team travel which is historically covered by a blanket TAR in the name of the head coach of the sport. A blanket TAR is often used to cover recurring travel activity by one individual over an extended period of time. Typically, the Athletics Department creates a blanket TAR for an individual coach for an entire fiscal year. Other coaches during FY2011 conducted athletic team travel under an authorized blanket TAR. However, during FY2011 these travel expenses revealed specific instances in which University employees traveled without a completed and signed TAR on file. It may be assumed that several other instances of travel also occurred by these individuals without an approved TAR, since these individuals routinely traveled with their teams to various venues during the sport’s season.

*Criteria:* According to the travel section of the *Finance and Accounting Policy and Procedures*, a TAR should be approved and submitted 5 days prior to the departure date. Furthermore, a TAR submitted after travel has occurred would require a letter of explanation from a supervisor. However, no supervisory letter was evident in the travel expense file. If a TAR is not submitted before a person leaves on University business, the employee may not be covered under Workman’s Compensation if they are injured while away on University business. Also, the TAR provides a signature of authorization by the supervisor and certifies that the travel is mission critical and performed in accordance with Section 112.061, F.S.

Both Assistant Athletic Director of Business Operations Colleen Sorem and Assistant Director of Procurement Services Jennifer Crabill indicated that the missing TARs were an oversight during FY2011 which has been corrected in FY2012.

*Recommendation*

Management should enhance existing controls to ensure that any employee traveling on University business submit a completed Travel Authorization Request prior to departure. This requirement should include all coaches and assistant coaches who are traveling on University business.
Since athletic travel usually involves a travel advance or issuance of a preloaded team travel card for travel related expenses, any pre-travel disbursement of funds should be withheld if a TAR has not been submitted. The Athletic Team Travel Card Manual should also be revised to require submission of a TAR before requesting any type of financial support.

During subsequent review and reconciliation of athletic travel expenses, any missing TARs should require supervisory letters acknowledging the missing TAR as required in the Finance and Accounting Policy and Procedures.

**Management Response**

*We [Procurement Services] agree with the Recommendation. We will continue to reinforce University policy in regards to having a completed TAR on file prior to traveling on University business.*

*The Athletic Team Travel Card Manual and the Athletic Team Advance form will be revised to include the requirement that a completed Travel Authorization Request be on file prior to the issuance of a TT-Card.*

*Procurement Services will not process any cash advances or load the TT-Card without a TAR on file first.*

*Procurement Services will require Athletics to complete the supervisory letters acknowledging missing TARs as required.*

_Scheduled for completion in December 2011 by Jennifer Crabill, Assistant Director of Procurement Services_

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**II. Faculty-Led Study Abroad Without a Travel Authorization Request**

**Condition**

1) This audit disclosed an instance of study abroad travel in which TARs were not submitted by the two faculty leaders. The travel occurred in March 2011, but the lack of TARs was only recently discovered during this audit.

2) The lack of the TAR also revealed that the President’s signature approval (as required) was not obtained for this instance of international travel.
3) Also, the audit revealed travel expenses in excess of $5,000 that were unsupported by receipts from the trip which ended in March 2011. Two preloaded GT-Cards were issued to the faculty leaders of this trip. At auditor request during Fall Semester 2011, the employee submitted the receipts that were needed to support all travel expenses charged to the GT-Card. However, this audit reveals the significant submission delay of the required travel expense documentation.

Criteria

1) According to the travel section of the *Finance and Accounting Policy and Procedures*, University officials are required to submit a TAR at least 5 days prior to departure. The TAR provides a signature of authorization by the supervisor and certifies that the travel is mission critical and performed in accordance with Section 112.061, F.S. Also, the TAR is required to ensure that University personnel are covered by Workman’s Compensation if they are injured while in travel status.

2) In addition, in accordance with travel procedures posted on the University Intranet, all international travel requires the President’s signature on the TAR.

3) Furthermore, the Group Travel Card Manual requires the card users to submit an original receipt for each purchase immediately upon return from group travel.

Recommendation

1) Management should enhance controls to ensure that any traveler, including faculty-led study abroad programs have a completed TAR on file. GT-Cards should not be issued to a potential traveler unless a completed TAR is submitted. The Group Travel Card Manual should be revised to include the submission of a completed TAR prior to any card issuance or reloading of funds.

2) A completed TAR for international travel should include the President’s signature.

3) Also, supervisory contact should be mandated if receipts are not submitted in a timely manner.
Management Response

We [Procurement Services] agree with the Recommendation. We will continue to reinforce University policy in regards to having a completed TAR on file prior to traveling on University business.

The Group Travel Card Manual and the Group Travel Advance Form will be revised to include the requirement that a completed Travel Authorization Request be on file prior to the issuance of a GT-Card.

The Group Travel Card Manual will be revised to include the requirement that all foreign travel must be approved by the University President.

Procurement Services will not process any cash advances or load the GT-Card without a TAR on file first.

Procurement services will contact Traveler's supervisor if receipts are not received within ten business days of the Traveler's return.

Scheduled for completion in December 2011 by Jennifer Crabill, Assistant Director of Procurement Services

III. Miscellaneous Travel Expense Errors

Condition: A review of the sample in this audit revealed six minor miscellaneous exceptions. These exceptions are not systemic, but are apparently minor unintentional errors. Procurement's routine review of most travel vouchers in conjunction with regularly scheduled P-Card audits appear to minimize most errors.

These instances included:

i. Two payments of non-reimbursable expenses which as an aggregate were less than $100.
ii. One completed TAR for study abroad travel that did not have the President's signature.
iii. Two instances of missing receipts.
iv. One instance in which the itemized receipt did not correlate with the number of travelers.

**Criteria:** University employees should comply with all travel policies and procedures.

**Recommendation**

No specific recommendation. All travel reimbursements and card activities should continue to be closely reviewed, reconciled, and audited to ensure compliance with University policies and procedures.

**Management Response**

*Procurement Services will continue to review and reconcile all travel reimbursements and card activities to ensure compliance with University Policies & Procedures.*

**IV. Additional Item for Management Consideration**

**Condition:** The Observations mentioned above revealed individual exception items that may be easily remedied. However, this audit revealed that personnel throughout the Athletics Department have been issued 40 regular P-Cards. There are also 13 TT-Cards, which have been issued to each head coach. One individual in the Athletics Department is the primary reconciler of the 40 P-Cards, while the Assistant Director of Procurement Services is the primary reconciler for the 13 TT-Cards. In addition, the Assistant Director of Procurement Services also reconciles 7 GT-Cards that are issued to faculty/staff members for student group or study abroad travel.

Currently, various account managers are located throughout the University, who are responsible for reconciling any P-Cards issued to their respective departments. Subsequently, all University P-Cards are subject to annual audits by the P-Card Administrator who reports to the Assistant Director of Procurement Services. However, both the 13 TT-Cards and the 7 GT-Cards are reconciled by the Assistant Director of Procurement Services with a provision for audits by *Procurement Services.*
**Criteria:** Since an individual in Procurement Services reconciles both the TT-Cards and GT-Cards, it is not prudent for the same department to also perform an audit of these cards. Proper separation of duties requires that the reconciling process be independent from the auditing process. For example, as noted above, P-Card reconciliements are typically performed within the respective department of the cardholder and audits are routinely performed by Procurement Services.

**Recommendation**

The 13 athletic TT-Cards should be reconciled by an individual in the Athletic Department, with Procurement Services providing for routine audits. Since the Athletic Department staff already has to reconcile 40 P-Cards, additional resources or reallocation of current resources may be needed to adequately process the activity related to the TT-Cards.

Also, the various departments pertaining to student group or study abroad travel should identify an individual to reconcile the 7 respective GT-Cards. The designated individual may or may not be a current P-Card reconciler. However, Procurement Services should only be involved in the audit function, not the reconciling function.

**Management Response**

*We [Procurement Services] agree with the Recommendation. Procurement Services will work with Athletics and the various departments handling student group travel and/or study abroad travel to designate an individual within their departments to assume responsibility for the reconcilement of the Team Travel and Group Travel Cards.*

*Scheduled for completion in December 2011 by Jennifer Crabill, Assistant Director of Procurement Services*

Performed by: Deborah McEwan, Senior Auditor

Reviewed by: Carol Slade, Director of Internal Audit