

Audit of Travel and Purchasing Card Use



Office of the Internal Auditor

Audit Report 2018-01.01

Draft Date 3/2/2018

DRAFT

Table of Contents

Table of Contents.....	iii
EXECUTIVE SUMMARY	1
Why we audited travel reimbursements and purchasing card use for travel	1
Background information	1
What we found	1
What we recommend	2
AUDIT OVERVIEW	3
Audit Purpose.....	3
Scope and Objectives	3
Risk Assessment.....	3
Audit Methodology and Procedures.....	4
CONCLUSIONS, FINDINGS AND RECOMMENDATIONS.....	5
Finding #1 – Control deficiencies in use of p-card for travel expenses	5
Finding #2 – Incomplete reporting of travel expenses	6
Finding #3 – Travel was not always pre-approved using the TAR form.....	7
Recommendation #1 – Record all travel expenses on one form.....	7
Recommendation #2 – Review and update travel and p-card policy language	8
Recommendation #3 – Enforce travel and p-card policies.....	8
MANAGEMENT RESPONSE.....	Error! Bookmark not defined.
Appendix A – TAR Form	9

EXECUTIVE SUMMARY

Why we audited travel reimbursements and purchasing card use for travel

Utah State Board of Regents policy R567, Internal Audit Program, section 4.4 states: “In addition to audits required by policy, institution internal auditors shall conduct risk-based audits for their institutions, as assigned by the institution audit committee.” The primary concerns were regarding budgeting overruns, double reimbursements, and compliance with the Snow College Travel and Purchasing Card (P-card) policies.

The objectives of this audit were to determine if Snow College employee travel was conducted in compliance with Snow College Travel and P-card policies and to evaluate the effectiveness of the Snow College travel policy.

Background information

The purpose of the Snow College Travel policy is, “to provide policy for Snow College regarding travel authorization and reimbursement for college travel.” The purpose of the Snow College Purchasing Card policy is, “to provide a convenient means with which to make purchases of low dollar items, while at the same time containing the costs associated with the procurement of these items.”

Travelers are encouraged to pay some travel expenses such as airfare, hotel, and ground transportation using their college issued purchasing cards. Paying for per-diem meals during travel, using a purchasing card is not permissible unless the employee is travelling with a group of students. Per-diem and travel expenses not paid using a p-card are reimbursed to the employee.

P-cards are administered through the Procurement Department, and travel reimbursements are administered through the Controller’s office. The travel policy requires the traveler complete a “Travel Authorization and Reimbursement” (TAR) form to record and track all travel reimbursements, such as meal per-diem and mileage. The p-card policy requires the cardholder complete a “Purchasing Card Transaction Log” for all purchases made with p-cards, including travel-related expenses.

What we found

There is no centralized reporting of travel expenses. In addition, there are no procedures to track and report the total cost of each trip taken. There were control deficiencies identified that could potentially lead to fraud or abuse if not resolved. In addition, there were instances of non-compliance with Snow College policy.

- There are insufficient controls to prevent an employee from receiving reimbursement for travel expenses paid using a p-card, making it is possible for employees to pay for expenses using p-cards and receive reimbursements for the same expenses when submitting online or duplicate receipts.
- Travel expense reports do not include a summary of all expenses incurred for each trip. The TAR form is designed to report all expenses, but is only used to record expenses to be reimbursed to the employees.

- Employees that traveled did not always obtain pre-approval for travel as per the Snow College travel policy. Unapproved travel could result in budget overruns and additional unplanned expenses to the College and employee.

What we recommend

- 1) To reduce the potential of undetected double reimbursements and to improve transparency of travel related expenses, employees should record all travel expenses for each trip using the TAR form or a similar form. The form should include all expenses incurred for the trip regardless of the method of payment.

There are third-party solutions available to help manage travel expenses, p-card, and reimbursements. Snow College management may want to conduct a cost-benefit study to determine if the feasibility of implementing one of these solutions to help manage travel expenses.

- 2) To ensure compliance with the Snow College Policy on travel, all travel must be approved using part one of the TAR form. Snow College management should determine a process to retain and track these signed forms.

The Controller's office should review and update the travel policy. Procedures for approval and tracking in-state travel should be considered in this review.

The Procurement office should review and update the p-card policy to ensure the policy agrees with the travel policy. For situations where travel expenses are allowed using p-cards, additional controls should be implemented to ensure the expenses are properly recorded and tracked as per the travel policy.

- 3) To help enforce compliance with the travel and p-card policies, merchant category codes for restaurants and fast food establishments could be restricted. If travel expenses are paid using a p-card, the p-card reviewer and/or supervisor should not sign off on travel expenses if a TAR form has not been submitted for pre-approval. This would require the procurement office and supervisor have access to the TAR forms that are in progress to verify that the employee include a copy of the TAR form for each p-card statement where expenses were incurred for the trip.

To receive a reimbursement for travel expenses, the Controller's office should verify that the TAR form is complete, including pre-approval for the trip.

AUDIT OVERVIEW

Audit Purpose

Utah State Board of Regents policy R567, Internal Audit Program, section 4.4 states: “In addition to audits required by policy, institution internal auditors shall conduct risk-based audits for their institutions, as assigned by the institution audit committee.” This audit was conducted due to raised concerns about potential control weaknesses in reimbursements for travel and p-card use.

Scope and Objectives

The objective for this audit was to determine if Snow College employees travel was conducted in compliance with Snow College Travel and P-card policies and to evaluate the effectiveness of the Snow College travel policy.

During fiscal years 2016 and 2017, all out-of-state and international travel taken was included in the scope of this audit. In-state travel was excluded.

Risk Assessment

A risk assessment was conducted to determine the areas of potential control weaknesses and other areas of risk with the p-card and travel policies. Using the results of the risk-assessment, an audit program was developed to conduct audit tests of the areas of highest risk. The following were identified as areas of risk:

- 1) Double Reimbursements through p-card and travel reimbursements
- 2) Unapproved travel resulting in budget overruns or safety concerns
- 3) Transactions made using p-cards for items that are prohibited such as gift cards, personal use, travel per-diem (food), and fuel
- 4) Exceeding established per-diem limits for approved meal purchases, and not completing required documentation (VP pre-approval for employee meals)
- 5) Split-Transactions – transactions split to avoid the per transaction spending limit (not travel related)
- 6) Non-Compliance with Snow College policies or best practices

Audit Program Test Objectives

The audit program included the following test objectives:

- 1) Determine if separation of duties was properly enforced for p-card transactions and travel reimbursements through supervisory review and approval.
- 2) Determine if Snow College employees were in compliance with the travel policy by obtaining pre-approval for out-of-state and international trips, and completing the Travel Authorization and Reimbursement form (TAR).
- 3) Determine if reimbursements for travel expenses were appropriate.
- 4) Determine if travel expenses paid using the p-cards were appropriate. For example, determine if p-cards were used to purchase prohibited items such as personal use, travel per-diem (meals), fuel (except rental cars), and gift cards.
- 5) Determine if p-card transactions were split to avoid the bidding process.

Audit Methodology and Procedures

ACL (Audit Command Language) is a software tool used to perform data analytics. ACL was used to complete some of the procedures in this audit. Also, where ACL could not be used, sampling was done. Because of the way the travel was administered between two separate offices, a list of all travel taken during fiscal years 2016 and 2017 was not available. To determine the trips to be included in the scope of the audit we reviewed and matched up purchasing card transactions and TAR forms for hotel expenses and transportation costs such as airfare.

Through this process, we identified 526 out-of-state and international trips that were paid by Snow College. The sample size selected was 99 out-of-state and international trips.

Information used for this audit include:

- P-card statements
- Monthly p-card transaction logs
- Travel Authorization and Reimbursement forms (TAR)
- Financial and student system (Banner)
- Interviews and other reports

The audit included the following procedures:

- Risk assessment to identify highest risk areas to be included
- Interviews with Snow College employees
- Determine total number of trips included in scope and establish a representative sample to review
- Using the sample, review TAR forms, p-card expenses, and transaction logs
- Review Snow College policies and procedures on p-cards, travel, and gifts
- Review other institutions' best business practices for travel

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions reached and contained in this report. The conclusions were based on a thorough review of controls in the Travel and P-card Policies. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal auditor.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

There is no centralized reporting of travel expenses. The Procurement Department is responsible to administer the p-card program. As part of their process, they perform monthly reviews of p-card expenses, to verify adherence to the College p-card policy.

The Controller's office is responsible to administer the travel policy. The travel policy allows employees to obtain reimbursements for travel expenses incurred while on college business. Most travel expenses can be paid using the college issued purchasing card or through an expense reimbursement. To obtain a reimbursement, the employee completes a Travel Authorization and Reimbursement (TAR) form and has it approved by their immediate supervisor.

There is currently no process to track and report the total cost of each trip taken. There were control deficiencies identified that could potentially lead to fraud or abuse if not resolved. In addition, there were instances of non-compliance with Snow College policy.

Finding #1 – Control deficiencies in use of p-card for travel expenses

Employees reported travel expenses to the Controller's office for reimbursement or to the Procurement office for transactions where p-cards were used. This makes it possible for an employee to pay for expenses using a p-card and receive reimbursement for the same expenses when using online or duplicate receipts.

For example, a traveler could pay for airfare using a p-card and report that transaction through the monthly p-card reports. The traveler could then, either intentionally or unintentionally, submit a TAR form with a copy of the receipt for the airfare and receive a reimbursement for the airfare.

P-card policy prohibits the use of p-cards to purchase per-diem meals unless the meal is for student groups. However, employees travelling with student groups that expense meals using p-cards may also be double reimbursed for meals. For example, if the employee paid for the group meal with the p-card, the employee may still be able to complete a TAR form to be reimbursed for his or her own per-diem amount. In these examples, the Controller's office would not have access to the p-card statements to determine if the expenses were paid using a p-card.

In a prior audit of a Snow College department conducted in 2016 there were some instances identified where double reimbursements occurred. To determine if other employees also received double reimbursements, we reviewed a sample of p-card statements and TAR forms from trips taken during 2016 and 2017. There were no instances of other employees receiving double reimbursements.

The Travel Policy states: "1. Travelers are required to use their Snow College P-card on all authorized travel expenses except per diem meals. (Travelers without a P-card may use personal resources to finance travel and seek reimbursement upon returning. The same documentation requirements apply for reimbursement). Original P-card receipts must be kept with traveler's P-card files. Copies of travel receipts for expenses paid with traveler's P-card must be submitted with the TAR form."

The Controller's office sends email correspondence asking employees why they did not use their p-card, but no verification is performed to validate that the transaction did not occur using a p-card. They also

verify that the original receipt is included for reimbursement. In the event the receipt is not an original, they return the reimbursement request to the employee and ask for the original receipt.

Snow College employees receive approval for their travel expenses from their supervisors. However, the TAR forms and p-card transaction logs are not typically submitted to the supervisors at the same time. Supervisors may inadvertently approve double reimbursements because they usually review and approve these forms at different times.

Merchant category codes for restaurants and fast food are not restricted. Restricting merchant category codes would help prevent employees from making inappropriate purchases using p-cards.

Finding #2 – Incomplete reporting of travel expenses

To determine the number of trips and the costs associated with each trip we reviewed p-card statements and TAR forms to piece together the number of trips taken and the cost of each trip. The expenses for most trips were spread out over multiple months of p-card statements. TAR forms were not completed for each trip making it even more difficult to determine the number of and total cost of trips. This was a time-consuming task and the actual number of trips taken and costs of each trip could not be determined or verified.

Snow College Travel Policy states: “Part 2 of the TAR form shall be completed after the end of the travel”

Employees use the TAR form to track the expenses related to each trip and to receive reimbursement. **See appendix A** for a sample of the TAR form. Part two of the TAR form is used for recording travel reimbursement requests and not p-card related expenses. The TAR form is generally not used to track expenses paid using p-cards. Some trips were paid exclusively using p-cards; therefore, there were no TAR forms completed for those trips. Other trips were paid using a combination of p-cards and reimbursement requests.

During 2016 and 2017, travelers did not always submit the required TAR forms to the Controller’s Office. The following table illustrates that twenty-five percent of trips reviewed did not have the TAR form as required by Snow College travel policy:

Type of Trip	# Trips Sampled	# TAR Forms	Percent Compliance
International	16	14	88%
Out-of-state	83	60	72%
Total	99	74	75%

Some travel was completed where there were no reimbursements requested, so there was no record of the travel on the TAR forms. Travel taken without recording expenses on TAR forms typically occurred when all travel expenses were paid using a college issued p-card or were paid by another travelling employee.

The state has requested that we track our travel expenses separately in Banner. To accomplish this, the budget office has set up some new account codes in Banner for travel. However, travel expenses paid using p-cards may not be accurately recorded in Banner.

Finding #3 – Travel was not always pre-approved using the TAR form.

Snow College Policy 13.5.7.2 states: “1. All College travel must be documented by a properly completed ‘SNOW COLLEGE TRAVEL AUTHORIZATION AND REIMBURSEMENT’ (TAR) form. Part 1 of the TAR form should be completed before the start of the travel.

2. All travel on College business, whether reimbursed by the College or not, must be approved by the appropriate supervisor. Expenses for unauthorized travel remain the responsibility of the traveler.”

During 2016 and 2017, employees who traveled out-of-state or internationally did not always obtain written pre-approval from supervisors, using the TAR forms. The following chart illustrates that seventy-five percent of trips reviewed did not have prior supervisory approval:

Type of Trip	# Trips Reviewed	# Supervisor Pre-Approvals	Percent Compliance
International	16	7	43%
Out-of-state	83	18	22%
Total	99	25	25%

Pre-approval was verified by reviewing part one of the TAR form and comparing the supervisor signature date with the date of travel. In some cases, part one was not completed. In most cases, part one contained supervisor signatures, but was signed after the travel was completed.

Once the travel was completed, and if there were expenses to be reimbursed, the employee submitted the completed TAR form to the Controller’s office for reimbursement. Once reimbursement was complete, the Controller’s office scanned the completed TAR form along with other supporting documentation into the document management system, Nolij.

Since there is no repository for TAR forms where the travel had not been completed, it is possible that the travelers obtained pre-approval, but did not submit the pre-approved forms to the Controller’s office. In-state travel was excluded from the scope of this audit, however, most employees that were interviewed stated they usually did not seek pre-approval for in-state travel because it was not necessary. According to the current policy all travel must be pre-approved including in-state travel.

Recommendation #1 – Record all travel expenses on one form

To reduce the potential of undetected double reimbursements and to improve transparency of travel related expenses, employees should record all travel expenses for each trip using the TAR form or a similar form. The form should include all expenses incurred for the trip regardless of the method of payment.

There are third-party solutions available to help manage travel expenses, p-card, and reimbursements. Snow College management may want to conduct a cost-benefit study to determine if the feasibility of implementing one of these solutions to help manage travel expenses.

Recommendation #2 – Review and update travel and p-card policy language

To ensure compliance with the Snow College Policy on travel, all travel must be approved using part one of the TAR form. Snow College management should determine a process to retain and track these signed forms.

The Controller's office should review and update the Travel policy. Procedures for approval and tracking in-state travel should be considered in this review.

The Procurement office should review and update the purchasing card policy to ensure the policy agrees with the travel policy. For situations where travel expenses are allowed using p-cards, additional controls should be implemented to ensure the expenses are properly recorded and tracked as per the travel policy.

Recommendation #3 – Enforce travel and p-card policies

To help enforce compliance with the travel and p-card policies, merchant category codes for restaurants and fast food establishments could be restricted. If travel expenses are paid using a p-card, then the p-card reviewer and/or supervisor should not sign off on travel expenses if a TAR form has not been submitted for pre-approval. This would require the procurement office and supervisor have access to the TAR forms that are in progress to verify that the employee include a copy of the TAR form for each p-card statement where expenses were incurred for the trip.

To receive a reimbursement for travel expenses, the Controller's office should verify that the TAR form is complete, including pre-approval for the trip.

Appendix A - TAR Form



TRAVEL AUTHORIZATION AND REIMBURSEMENT

(NOTE: Please consult the official Travel Policy)

Vehicle: None Car SUV
 College Vehicle # _____
 Return Mileage _____
 Departure Mileage _____
College Car Mileage Charge:
 \$ _____
 (Business Services will calculate)

Required Information
 Banner ID # _____

PART 1 - PRIOR AUTHORIZATION

Please attach copies of conference agendas or other applicable documentation

Name _____ Cost Code(s) _____ From: _____ Time: _____
 Destination City _____ State _____ Purpose _____ To: _____ Time: _____
 Traveler (signature) _____ Date _____
 Supervisor (signature) _____ Date _____

PART 2 - RECONCILIATION AND REIMBURSEMENT VOUCHER

1. MILEAGE CHARGES (private vehicle @ \$0.41/mile) **2. MEALS** (✓) meals claimed

Date	Departure Mileage	Return Mileage	Miles	Reimburse (\$0.41/mi)	Per Diem Rate Schedule				In-State Meals (✓)				Out-of-State Meals (✓)				Total Meals
					In-State				All	Brkfs	Lunch	Dnrr	All	Brkfs	Lunch	Dnrr	
			-	\$ -	Breakfast	\$	9.00									\$ -	
			-	\$ -	Lunch	\$	11.00									\$ -	
			-	\$ -	Dinner	\$	16.00									\$ -	
			-	\$ -	Out-of-State											\$ -	
			-	\$ -	Breakfast	\$	10.00									\$ -	
			-	\$ -	Lunch	\$	14.00									\$ -	
			-	\$ -	Dinner	\$	21.00									\$ -	

3. MISCELLANEOUS EXPENSES (Attach receipts for items > \$5) **4. AIR FARE** (Attach orig. receipt and ticket stub) **5. LODGING** (Attach orig. receipts)

Date	Description	Total	Date	From	To	Total	Date	City	Total
		\$ -				\$ -			\$ -
		\$ -				\$ -			\$ -
		\$ -				\$ -			\$ -
		\$ -				\$ -			\$ -
		\$ -				\$ -			\$ -
		\$ -				\$ -			\$ -

1. Mileage \$ - 2. Meals \$ - 3. Misc. \$ - 4. Air Fare \$ - 5. Lodging \$ -

Signature of Supervisor after trip completed _____ GRAND TOTAL \$ -

I hereby certify that all items of expense included in this claim were incurred by me in the discharge of authorized Snow College business and that the amounts claimed are correct and proper charges. I also certify that I have not been, nor will be reimbursed for any of these items from any other source.	Traveler: _____	Banner Invoice # _____ Vendor _____ Amount _____ Check # _____ Check Date _____
	Date: _____	
	Reviewed By _____	
	Biz Office: _____	
	Date: _____	