

TRAVEL AND HOSPITALITY
California Polytechnic State University, San Luis Obispo
Audit Report 20-1
August 6, 2020

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative and financial controls related to the travel and hospitality expense reporting process to ensure compliance with relevant Office of the Chancellor (CO) directives, and Cal Poly's campus procedures.

SCOPE

Audit and Consulting Services (ACS) reviewed a total of 108 travel claims and 23 Cal Poly Corporation (CPC) hospitality expenses for 26 executives, cabinet members, vice presidents, deans, select frequent travelers and select employees involved in the travel & hospitality process. The selections were made from reports submitted from 7/01/18 to 11/25/19. Travel claims related to Cal Poly were randomly selected by obtaining the populations of the following transaction types:

- Concur report
- Giselle report
- Enterprise statement report
- Reimbursements detail
- Travel card (P-card transactions)

Travel claims related to CPC were randomly selected from the travel expense detail report. For each travel claim selected for Cal Poly & CPC, ACS assessed the compliance with the travel & hospitality policies under the following sub-topics:

- Travel pre-approval
- Travel claim review
- Airfare
- Domestic & international meals
- Rental car expenses (Enterprise)
- Private vehicle and taxi services
- Lodging & incidentals
- Miscellaneous expenses

Hospitality transactions reviewed were sourced from the following:

- Cal Poly: Hospitality transactions that were identified as part of the travel claims selected from above (31 samples)
- CPC: Obtained a OneSolution data extract and selected 23 hospitality expenses based on specified criteria. In addition, reviewed any hospitality transactions that were included as part of CPC travel.

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 travel and hospitality expense reporting as of December 31, 2019, 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 travel and hospitality expense reporting, however, some areas were identified as needing improvement. It should also be noted that the Concur system was only partially implemented during the scope of this audit, and has many features that will assist with issues noted in the report.

ACS noted that approving officials do not consistently date their signatures, therefore the timeliness of the approvals could not be properly determined. Also, travelers frequently did not include agendas for conferences they were attending, possibly allowing for additional meal or personal hotel night expenses. Descriptions for purpose of travel, hospitality events, attendees of meetings, or travel extending beyond the scope of work were often missing or lacking necessary details. Travel request amounts were not consistently input, or were significantly over/under the approved amount without further explanation. Claims were not consistently submitted for approval within the required timeline (10 days for CPC and 30 days for Cal Poly). Domestic meal allowances are lower (10-20%) for many cities frequently traveled to than the suggested government amounts. In addition, it was noted that Hotel Occupancy Waivers were not regularly utilized (or explained as to why they were not) for hotel stays within California, and that travelers rarely provided 261 - Private Use Vehicle Form when a personal use of a vehicle was used while on state business.

In summary, travelers and approving officials need to be more detailed regarding their review of completeness and accuracy, especially with regards to hospitality claims. Diligent oversight of this process is extremely important due to the combination of many factors including the use of state funds involved and expense reporting being a top area for occurrences of fraud. Specific observations, recommendations, and management responses are detailed in the remainder of this report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. TRAVEL PRE-AUTHORIZATION FORMS

OBSERVATION

The following items detail the findings related to the Travel Pre-Authorization Forms reviewed. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- The "purpose of travel" did not provide enough context to determine how the travel related to official University business. (2)
- The signature of the traveler and/or approving official were not dated. (20)
- The form was not signed and completed prior to the trip commencement. (11)
- The Presidential pre-approval was not obtained for travel to a banned state (Alabama and Texas). (2)
- The form did not have a travel request amount. (6)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing Travel Pre-Authorization Forms be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of Travel Pre-Authorization Forms. Forms found to not be fully completed, should be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned fully completed.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will reiterate the travel policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing Travel Pre-Authorization Forms. Specifically, Cal Poly and CPC will reiterate that the Travel Pre-Authorization form should be complete or include an explanation of what is missing/incorrect. In addition, all faculty and staff individual travel shall only be requested via Concur as of July 1, 2020. Concur requires all this information to submit a Request (the online version of a Travel Pre-Authorization Form).

Anticipated implementation date: February 6, 2021

2. TRAVEL CLAIM REVIEWS

OBSERVATION

The following items detail the findings related to the travel claim reviews performed by the approving officials. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- Travel to a banned state was charged utilizing state funding source versus CPC funding. Furthermore, the traveler did not provide a justification for the banned state travel that fit one of the seven criteria set out by AB1887 (CA Prohibition of State Funded Travel to States with Discriminatory Laws). (3)
- The approving official was not directly one position level above the traveler. (2)
- The travel claim was not submitted within 30 days of return from travel (31 to 191 days). (27)
- The total cost of travel per the Travel Expense Claim Form exceeded the pre-approved amounts per the Travel Pre-Authorization Form (by over 20%) without further explanation. (8)
- The approving official did not approve the Missing Receipt Form included in the final version of the travel claim that was submitted for reimbursement. (8)
- The signature of the traveler/host or approving official was not dated. (7)
- The initial funding source within the travel claim was not consistent with the pre-approved funding source within the Travel Pre-Authorization Form. (18)
- No explanation was given for “Social Fees” (\$595) purchased in addition to conference and registration fees.
- A traveler attended a conference held 11/10/19 - 11/13/19 and the travel claimed was for 11/6/19 - 11/13/19. The travel days outside of the conference exceeded the 25% threshold for personal travel, and the related hotel, rental car, and meals claimed outside of the days of the conference with no justification provided. (1)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing travel claims be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of travel claims. Claims found to not be fully completed, should be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned fully completed.

For claims that are not submitted timely (within 10/30 days of return from travel), the traveler should be required to submit an explanation of the delay, and be notified that such future delays in submitting their reports could possibly result in denial of reimbursement.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will reiterate the travel policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing travel claims. Specifically, Cal Poly and CPC will reiterate that claims should be submitted timely (within 30 days of return from travel) or provide an explanation of the delay. Travelers will be notified that untimely submission of travel claims could result in denial of reimbursement. In addition, Concur, with automatic email reminders and time-limited approvals will reduce many of these issues.

Anticipated implementation date: February 6, 2021

3. AIRFARE (GISELLE)

OBSERVATION

The following items detail the findings related to the Airfare (Giselle) travel claims reviewed. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- The traveler did not provide an invoice or itemized receipt for air travel (1)
- The airfare, lodging, and meal cost claimed had no supporting invoice or receipt as it was included within the cost of group travel for an alternative breaks global service project (1)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing airfare be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of airfare claims. Claims found to not be fully completed, should be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned fully completed.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will reiterate the travel policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing travel claims with airfare. Specifically, Cal Poly and CPC will reiterate that the travel claims should be complete or include an explanation of what is missing/incorrect. In addition, Concur, with its requirement to attach a receipt for any purchase/ expense of \$40 or more to submit the Expense Report (or claim), will reduce, if not eliminate this issue.

Anticipated implementation date: February 6, 2021

4. MEALS

OBSERVATION

The following items details the findings related to meal expenses (domestic and international) reviewed. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- A conference agenda was not provided as part of the travel claim. As such, it could not be determined if the meals claimed were appropriate based on the number of meals that were provided as part of the conference. (31)
- Daily meal expenses claimed exceeded the \$55.00 daily limit for one or more days of travel. (3)
- The traveler claimed a meal on the day travel initiated/concluded in excess of the allocated amounts per departure/ arrival times. (4)
- A conference agenda provided as part of travel claim indicated that meals were provided to the attendees. However, the traveler still claimed meal expenses (in addition to when meals were provided) with no justification provided. (2)
- The claim included multiple meals where alcohol was purchased for personal meals and not specifically for hospitality events. (1)
- Meal costs for the traveler were greater than the allotted international per diem set out by the U.S. Department of State. (4)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing travel claims including meal be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of meal claims. Claims found to not be fully completed, should

be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned fully completed.

In instances where amounts claimed are out of compliance with policies and procedures (meals claimed when meals were provided at a meeting/conference with no justification, meals claimed on the day travel initiated/concluded in excess of the allocated amounts per departure/ arrival times, alcohol purchased with personal meals, international meal costs greater than the allotted per diem set out by the U.S. Department of State, daily meal expenses claimed exceeding the \$55.00 daily limit, etc.), the expenses should not be approved, and thus the traveler should not be reimbursed.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will clarify and reiterate the travel policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing travel claims including meals. Specifically, Cal Poly and CPC will reiterate that when amounts claimed are out of compliance with policies and procedures, the expenses will not be approved, and thus the traveler will not be reimbursed. In addition, Concur, with loaded international per diem set out by the U.S. Department of State, will reduce some of these issues.

Anticipated implementation date: February 6, 2021

5. ENTERPRISE & VEHICLE TRANSPORTATION

OBSERVATION

The following items detail the findings related to Enterprise & vehicle transportation expenses reviewed. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- The traveler did not provide 261 - Private Use Vehicle Form for use of a personal vehicle on state business. (15)
- A rental car was purchased via the direct buy method versus utilizing the employee's travel card to rent the vehicle that would have been processed via Concur.
- Per the invoice included with the travel claim, a car was rented for more days than the duration of the trip. (2)
- The traveler did not provide an invoice or itemized receipt for a taxi or rideshare vehicle transaction over \$40.00. (2)
- The gas receipt provided was dated outside the date range of the claimed trip. (2)

- A ride share transaction was dated 12/06/18 within the expense report, however, the travel dates were 12/04/18 – 12/05/18. (1)
- The traveler claimed both mileage and gasoline expenses for private car use which was not permitted per the University policy. (1)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing claims that include ground transportation be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of ground transportation claims. Claims found to not be fully completed, should be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned fully completed.

In instances where amounts claimed are out of compliance with policies and procedures (the traveler claimed both mileage and gasoline expenses for private car use, expenses are submitted that occurred outside of the approved travel dates, etc.) the expenses should not be approved, and thus the traveler should not be reimbursed.

Additionally, management should consider requiring travelers complete and submit 261 - Private Use Vehicle Form for use of personal vehicles on state business with their travel claim, and make this clear within their policy and procedures.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will clarify and reiterate Environmental Health and Safety's Safe Driving policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing travel claims. Specifically, Cal Poly and CPC will reiterate that when travel claims are out of compliance with policies and procedures, the expenses will not be approved, and thus the traveler will not be reimbursed. In addition, Concur requires traveler to acknowledge 261 being on file if driving a personal car on every Expense Report (or claim) submitted.

Anticipated implementation date: February 6, 2021

6. LODGING & INCIDENTALS

OBSERVATION

The following items detail the findings related to lodging and incidental expenses reviewed. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- The Hotel Occupancy Waiver was not utilized for a hotel stay within California, and no explanation was given as to whether the traveler tried to use the waiver. (26)
- The daily incidentals claimed exceeded the number of 24-hour periods included in the duration of the trip (\$7 for domestic trips and per-diem amounts for international trips). (22)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing lodging and incidentals be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of lodging and incidental claims. Claims found to not be fully completed, should be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned and complete.

Additionally, management should consider requiring the Hotel Occupancy Waiver be utilized for all hotel stays within California, and have the traveler include an explanation when it is not utilized.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will reiterate the travel policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing travel claims that include lodging and incidentals. Specifically, Cal Poly and CPC will reiterate that when travel claims are out of compliance with policies and procedures, the expenses will not be approved, and thus the traveler will not be reimbursed. In addition, Cal Poly travel guidelines shall be updated since the Hotel Occupancy Waiver is encouraged, but not mandated since waiving the tax is at the hotel's discretion, including what information, documents, and/or signatures are required. The form will still be made available via the website.

Anticipated implementation date: February 6, 2021

7. HOSPITALITY

OBSERVATION

The following items detail the findings related to hospitality expenses reviewed. The numbers in parenthesis following each item denotes the numbers of occurrences identified.

- The traveler did not provide an invoice or itemized receipt for a hospitality transaction over \$40.00. (6)
- The signature of traveler/host and/or approving official was not dated. (13)
- The 'community relations' related hospitality did not include one of the following required documentation components: individual's name, affiliations, and direct or indirect benefit to the University being derived from the expense. (10)
- Alcohol was purchased utilizing state funds. Alcohol should be purchased using CPC funding. (12)
- The actual cost per person was greater than the "maximum per-person rates" for "meal and light refreshments" set out by the hospitality policy. (4)
- The spouse of a Cal Poly employee was present at an event. However, there was no documentation to support if the spouse's presence was considered a University business purpose and attendance was a contribution to the success of the event. (5)
- The approving official did not approve a specific transaction/item included within the claim. For these hospitality related transactions, the type of supporting documents included catering contracts, meal receipts, order confirmations, or Cal Poly. (7)
- The actual cost per person was greater than the \$100 per recipient allowed for recreational, sporting or entertainment events, as set out by the hospitality policy, and did not obtain additional approvals from a Vice President or an Auxiliary Executive Director. (1)
- The following items relate specifically to the completion of Hospitality Justification Forms:
 - A list of event attendees and/or list of official guests was not included. As such, the maximum per-person rates for meals for the event could not be calculated. (9)
 - The type of hospitality event (i.e. "Hospitality expenses that may be paid from CSU Operating Fund" or "Hospitality Expenses that may not be paid from CSU Operating Fund") was not included. (4)
 - The location/venue of the event was not provided (4)
 - The location of the event was changed and without explanation. (1)
 - The description of the hospitality event did not match the support provided. (3)
 - No form was provided for claimed hosting activity. (11)

RECOMMENDATION

We recommend that the group of employees selected for testing, approving officials and staff responsible for reviewing claims including hospitality be reminded of the related policies and procedures, including the findings noted above. This will help ensure the completeness and accuracy of hospitality claims. Claims found to not be fully completed, should be sent back to the preparer (and reviewer if applicable), with an explanation of what is missing/incorrect, and only be approved when returned and complete.

For claims that are submitted and approved that do not comply with policies and procedures, management should consider requiring the responsible vice president to submit an explanation of the specific circumstances involved, preferably prior to the event taking place, and acknowledge their approval.

MANAGEMENT RESPONSE

We concur. Cal Poly and CPC will reiterate the travel policies and procedures to Cal Poly and CPC travelers, approving officials, and staff responsible for reviewing travel claims. Specifically, management will consider requiring the responsible vice president to submit an explanation of the specific circumstances involved when per attendee cost is above the allowable allowance, preferably prior to the event taking place, and acknowledge their approval. Cal Poly and CPC will reiterate that when submitted claims do not comply with policies and procedures, the expenses will not be approved, and thus the traveler will not be reimbursed, unless an explanation is provided by the responsible vice president. In addition, Concur, with its audit rules, and an updated hospitality form (to be attached to Expense Report) will help reduce these issues.

Anticipated implementation date: February 6, 2021