

MEMORANDUM

August 26, 2021

TO: Karla Aspinall
Director, Finance - Accounts Payable & Travel**FROM:** Sherri Magnus *Sherri Magnus*
Vice President & Chief Audit Officer**SUBJECT:** 21-116 Travel and Business Entertainment Expenses Audit

Internal Audit has completed the review of the Travel and Business Entertainment Expenses audit for the period of January 1, 2020 through December 31, 2020. The objective was to review these expenses for proper approval, supporting documentation, business purpose, allowability, and timeliness, in accordance with institutional policies and University of Texas System rules.

We reviewed travel and business entertainment expenditures totaling approximately \$475,000 for 56 individuals. Our testing methodology included assessing the accuracy of expense reimbursements and the appropriateness of expense purposes and approvals, comparing supporting documentation to reimbursed expenses and evaluating expense allowability in accordance with institutional policies and guidelines.

Overall, areas for improvement remain consistent with the prior year's audit:

- Documentation of business purpose
- Timely submission of expenses, and
- Inadequate supporting documentation

Given that the prior year report was issued in August 2020, with planned implementation of corrective actions as of June 2021, we acknowledge that this audit period may not reflect the full effect of management's efforts to address prior recommendations.

Recommendation:**RANKING: MEDIUM**

Management should continue its efforts to improve compliance with travel and business entertainment requirements. This should include, but not be limited to, providing additional guidance to key stakeholders as well as further strengthening internal review processes. Management should also coordinate with institutional leadership and the Travel and Business Expense Task Force to strategize on additional opportunities to further enhance stewardship in this area. Finally, management should evaluate whether the policy provision establishing the 60-day submission timeline should be enhanced to address the impact of resubmissions and monthly recurring expenses.

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Management's Action Plan:

Executive Leadership Team Member: Ben Melson

Division/Department Executive: Michael Keneker, Karen Kennedy

Owner: Karla Aspinall

Implementation Date: 06/30/2022

We acknowledge that the findings are consistent with the prior year audit. Working in partnership with the Travel & Business Expense Task Force we will:

- *Provide education and guidance to key leaders and stakeholders regarding best practices on documenting Business Purpose – who, when, where and what business was discussed,*
- *Educate key leaders and stakeholders regarding what is considered accurate and appropriate supporting documentation for travel and business entertainment expenses,*
- *Build a robust process within Finance for the timely review and audit of supporting documentation, (and, when exceptions and errors are noted, we'll have a clear process for timely corrections, resubmission and reprocessing and/or denial).*
- *Revisit the definition of 'Timely Submission' as well as the timeframe for resubmissions to align with best industry practices.*
- *Create a strategy for continually understanding and evolving policies to reflect best industry practices and IRS guidelines.*

Our internal audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The internal audit function at MD Anderson Cancer Center is independent per the *Generally Accepted Government Auditing Standards (GAGAS)* requirements for internal auditors.

We sincerely appreciate the courtesy and cooperation extended by each individual and the Accounts Payable and Travel Department.

cc: Ben Melson
Michael Keneker
Christy Harrison
Karen Kennedy