



UNCSA

Office of Internal Audit

Travel Payments Follow-up Review

March 13, 2015

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March 13, 2015

Dr. Randy W. Mills, Interim Vice Chancellor for Finance and Administration
Winston-Salem State University
103 Blair Hall
Winston-Salem, NC 27110

Dear Dr. Mills:

Internal auditing standards require that we follow-up on reported observations and recommendations to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. The following report addresses the follow-up to the findings noted in the internal audit report of travel expenses released on August 29, 2012.

The report includes a restatement of Internal Audit's original findings and recommendations, the university's response and corrective action plan, and a summary section explaining Internal Audit's follow-up review procedures and conclusions.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "S. B. Henry".

Shannon B. Henry
Chief Audit Executive

Cc: Elwood L. Robinson, Ph.D., Chancellor
Dr. Brenda A. Allen, Provost and Vice Chancellor for Academic Affairs
Mr. Frank Lord, Controller
Mr. J. Nathan Thompson, Assistant Controller
Ms. Judy Cooley, Disbursement Services Director
Mr. Derrick Murray, Interim Associate Provost and Chief Information Officer
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BACKGROUND, OBJECTIVE AND SCOPE

The State of North Carolina allows university personnel to be reimbursed for reasonable and necessary expenses involving business travel. During the 2012 fiscal year, the Office of Internal Audit conducted an audit of travel expenses processed by the Accounts Payable Office, including travel advances, prepayments, and reimbursements. The findings were presented in an Internal Audit report released on August 29, 2012. This review represents a follow-up to evaluate the university's processes and determine if progress has been made toward resolving findings included in the prior audit report. Accounts Payable is an internal accounting process that reports organizationally to the university Controller and functions within the Division of Finance & Administration.

To conduct our audit we performed the following procedures:

- Reviewed the prior audit work papers and reports;
- Interviewed university staff;
- Reviewed applicable governing regulations and university policies;
- Reviewed all processes associated with travel payments; and
- Examined, on a test basis, evidence supporting travel payments.

Engagements completed by the Winston-Salem State University Office of Internal Audit are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors.

This report presents the results of our follow-up review.

RESULTS

Our review of the University's progress toward resolving the findings in the previous audit report revealed the following:

PRIOR YEAR FINDING #1: STATE REGULATIONS AND UNIVERSITY POLICIES REGARDING PRE-APPROVAL OF TRAVEL EXPENSES AND TIMELY SUBMISSION OF CLAIMS FOR PAYMENT ARE NOT CONSISTENTLY FOLLOWED.

- *It is our opinion that the issue related to pre-approval of travel expenses has been resolved.*
- *It is our opinion that the issue related to timely submission of claims for payment has been partially resolved.*
 - *Recommendation:* The university should implement the previous recommendations and ensure the training on travel regulations and policies is fully implemented and reinforces individual accountabilities in the process related to the timeliness of travel claims.

PRIOR YEAR FINDING #2: REQUESTS FOR TRAVEL ADVANCES, PRE-PAYMENTS AND REIMBURSEMENTS ARE PAID WITHOUT THE APPROPRIATE DOCUMENTATION.

- It is our opinion that the issue related to appropriate documentation has been *resolved*.

PRIOR YEAR FINDING #3: THE UNIVERSITY'S TRAVEL POLICIES AND PROCEDURES ARE OUTDATED, INCOMPLETE, AND NOT REFLECTIVE OF THE CURRENT TRAVEL PAYMENT PROCESSES PERFORMED BY THE ACCOUNTS PAYABLE DEPARTMENT.

- It is our opinion that the issue related to the University's Travel Policies and Procedures has been *resolved*.

PRIOR YEAR FINDING #4: THE UNIVERSITY COULD SAVE MONEY IF EMPLOYEES CONSISTENTLY REQUESTED GOVERNMENT DISCOUNT RATES FOR HOTELS.

- It is our opinion that the issue related to government discount rates for hotels has been *partially resolved*.
 - *Recommendation:* The university should implement the previous recommendation and inform its employees that many hotels offer government discount rates that should be requested when hotel reservations are made. We recommend management send an electronic communication, University-wide, concerning government discount rates for hotels.

PRIOR YEAR FINDING #5: CHANGES IN ACCESS RIGHTS ARE NOT EFFECTIVELY COMMUNICATED TO ENSURE ACCESS RIGHTS ARE TERMINATED COMPLETELY AND TIMELY.

- It is our opinion that the issue related to changes in access rights has been *partially resolved*.

RESULTS (*CONCLUDED*)

- *Recommendation:* The IT Department should implement Internal Audit's previous recommendations and develop an information security program that includes communication systems to ensure access to all systems is changed timely and completely. Further, IT should perform annual access verification for all system applications used by the university.

See the *Audit Findings and Responses* section on page 5 for further detail.

AUDIT FINDINGS AND RESPONSES

PRIOR YEAR FINDING:

- 1. STATE REGULATIONS AND UNIVERSITY POLICIES REGARDING PRE-APPROVAL OF TRAVEL EXPENSES AND TIMELY SUBMISSION OF CLAIMS FOR PAYMENT ARE NOT CONSISTENTLY FOLLOWED.**

PART I: Pre-Approval of Travel Expenses

During our review of the university's travel policies and procedures and inquiry of staff we found that the university has not adopted policies nor implemented procedures to ensure that prior written approval is obtained for employee travel related expenses. Furthermore, based on our examination of travel expense documents, we were not able to find evidence of pre-approval on travel reimbursements that did not involve an advance of funds. The university, instead, relies on the department head's signature on the travel reimbursement form to substantiate prior approval. However, the North Carolina Office of State Budget and Managements' (NCOSBM) Budget Manual provides that prior written approval by the department head or his designee must be obtained in order to qualify for reimbursement for overnight stays, meals, rental vehicles, and expenditures in excess of the maximum allowable amounts during business travel.

Recommendation: The Division of Finance & Administration should enhance the university's Travel Policies and Procedures to expressly state that prior written approval is required for travel expenses.

University Management's Response: We concur. In the past management has ascertained that travel preapproval was the responsibility of the individual departments and presumed preapproval when the Travel Prepayment and Travel Reimbursement Forms were signed by the appropriate supervisor. In order to be closer in compliance with State travel policy the statement "I have examined this reimbursement request and certify that preapproval was obtained and it is just and reasonable" will be included above the approval signature lines on both forms. The need for the preapproval of travel will be included in the university's Travel Policies and employees' travel training. Also, the university is planning to implement the Banner Travel Module during this fiscal year which will automate the preapproval and reimbursement process.

INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT

We determined the following related to the details mentioned in the audit finding above:

Corrective Actions Implemented by University Management:

- Travel prepayment and reimbursement forms have been updated to include the acknowledgement that preapproval of travel was obtained.
- The university's travel policies and procedures have been updated and now state that prior written approval is required for travel expenses.

AUDIT FINDINGS AND RESPONSES (CONTINUED)

**Internal Audit was informed that implementation of the Banner Travel and Expense module (designed to automate the preapproval and reimbursement process) has been postponed, with no future date provided for implementation.*

INTERNAL AUDIT'S OPINION:

It is our opinion that the issue related to pre-approval of travel expenses has been *resolved*.

PART II: Timely Submission of Claims for Payment

During our testing of travel expense transactions we found that travel expense payments were not always submitted within thirty days after the travel period. Specifically, we found that travel reimbursement forms were submitted up to 120 days after the 30 day period. North Carolina General Statute (NCGS) §138-6, *Travel Allowances of State Officers and Employees*, requires that all reimbursement requests be filed for approval and payment within 30 days after the travel period for which the reimbursement is being requested.

Recommendation: The university should educate its employees on travel regulations and policies, reinforcing individual accountabilities in the process related to proof of prior written approval for reimbursement and the timeliness of travel claims.

University Management's Response: We concur. A reconciliation of the Travel Advance (Cash), Airfare (Master Card), and Hotel (Master Card), will be performed monthly for management review to ensure all outstanding travel expenses will be resolved in a timely manner.

INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT

We determined the following related to the details mentioned in the audit finding above:

Corrective Actions Implemented by University Management:

- Accounts Payable is reconciling airfare and hotel charges, paid via the university's credit cards, and all travel advances on a monthly basis. Employees are contacted for any items identified as outstanding based on reconciliation procedures.
- Our review revealed that Accounts Payable has developed a training presentation and taken steps toward implementation.

Recommendations Not Addressed by University Management:

- During our review, we noted limited evidence regarding training offerings on travel regulations and policies. We noted further that travel reimbursements submitted for

AUDIT FINDINGS AND RESPONSES (CONTINUED)

payment more than 30 days after the travel period are just processed when received with no education or feedback provided to the employee concerning the State's requirements.

INTERNAL AUDIT'S OPINION:

It is our opinion that the issue related to timely submission of claims for payment has been *partially resolved*.

INTERNAL AUDIT'S RECOMMENDATION:

The university should implement the previous recommendations and ensure the training on travel regulations and policies is fully implemented and reinforces individual accountabilities in the process related to the timeliness of travel claims.

FINDING:**2. REQUESTS FOR TRAVEL ADVANCES, PRE-PAYMENTS AND REIMBURSEMENTS ARE PAID WITHOUT THE APPROPRIATE DOCUMENTATION.**

During our testing of travel expense transactions we found a significant number of instances where information and appropriate supporting documentation were missing. This included information on critical details of expenses such as lists of student travelers to support cash advances for meals, boarding passes and original receipts. NCGS §138-6 notes the documentation necessary to substantiate the costs associated with travel includes, valid receipts and invoices. University policy requires additional documentation including lists of student travelers, conference agendas and boarding passes.

Recommendations: The Accounts Payable Department should ensure that all travel expense claims are submitted with sufficient and appropriate supporting documentation. The university should educate its employees on travel regulations and policies, reinforcing individual accountabilities in the process related to accuracy of travel claims and supporting documentation.

University Management's Response: We Concur. The Accounts Payable Department will ensure that all travel expense claims are submitted with sufficient and appropriate supporting documentation (including, but not limited to, lists of student travelers to support cash advances for meals, boarding passes and original receipts). Employees will be educated on travel regulations and policies, reinforcing individual accountabilities in the process related to accuracy of travel claims and supporting documentation.

INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT

AUDIT FINDINGS AND RESPONSES (CONTINUED)

We determined the following related to the details mentioned in the audit finding above:

Corrective Actions Implemented by University Management:

- The errors noted during our follow-up testing of travel expense transactions were not noteworthy to prove that a significant internal control weakness still exists.
- Accounts Payable has developed a training presentation and taken steps toward implementation.

INTERNAL AUDIT'S OPINION:

It is our opinion that the issue related to appropriate documentation has been *resolved*.

FINDING:

3. THE UNIVERSITY'S TRAVEL POLICIES AND PROCEDURES ARE OUTDATED, INCOMPLETE, AND NOT REFLECTIVE OF THE CURRENT TRAVEL PAYMENT PROCESSES PERFORMED BY THE ACCOUNTS PAYABLE DEPARTMENT.

During our review of the university's travel policies and procedures and inquiry of staff we found that the policies and procedures contained outdated and erroneous information. Specifically, we noted inaccurate references to NCOSBM travel policies and regulations and incorrect reimbursement rates.

Further, during our review of the Accounts Payable Department's internal procedures for processing travel we noted that the procedures did not reflect the actual processes that were described by the staff and observed by Internal Audit. Specifically, we noted that the internal procedures did not include all the steps and personnel involved in initiating, authorizing, approving, recording, summarizing and monitoring travel expense transactions.

Lastly, during our testing of travel expense transactions we found that the university's policies and procedures regarding cash advances do not reflect the current travel payment processes for cash advances. Specifically, we noted cash advances provided to staff for miscellaneous expenses and for staff expenses while recruiting and hosting guests. However, university policy notes that cash advances are provided to employees traveling with students for their meals only. Furthermore, we noted that an employee was provided multiple cash advances prior to the appropriate accounting of previous advances. This employee's travel advances were not effectively reviewed and reconciled by the Accounts Payable Department until the fiscal year's end. The university's policy provides that advances are to be accounted for within 30 days after a trip and any advances not accounted for within 30 days will prevent the employee from receiving future prepayments and cash advances.

AUDIT FINDINGS AND RESPONSES (CONTINUED)

Recommendations: The Division of Finance and Administration should ensure that the university's travel policies and procedures are updated and in line with State regulations. The Accounts Payable Department should update its internal procedures to reflect current travel payment processes and establish additional controls to ensure compliance. Relevant employees should receive appropriate training on these procedures and controls.

University Management's Response: We concur. The university's Travel Policies have been updated and will be placed on the university's website for employee use. We will also update our website to include links to the NCOSBM travel policies. Also, training will be made available for employees on travel policies and procedures. The Accounts Payable Department has updated its internal procedures to reflect current travel payment processes and establish additional controls to ensure compliance. Relevant employees have received appropriate training on these procedures and controls. A reconciliation of the Travel Advance (Cash), Airfare (Master Card), and Hotel (Master Card), will be performed monthly for management review to ensure all outstanding travel expenses will be resolved in a timely manner. Management had granted an exception on our cash advance policy to Athletics in order to be in compliance NCAA recruitment rules. However, this exception has not been formally included in the university's Travel policies. This exception is being developed and will be included in our travel policies.

INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT

We determined the following related to the details mentioned in the audit finding above:

Corrective Actions Implemented by University Management:

- The university's travel policies and procedures have been updated.
- The Accounts Payable Department's internal procedures have been updated to reflect current travel payment processes.
- The Accounts Payable Department has developed a training presentation and taken steps toward implementation.

INTERNAL AUDIT'S OPINION:

It is our opinion that the issue related to the University's Travel Policies and Procedures has been *resolved*.

FINDING:

4. THE UNIVERSITY COULD SAVE MONEY IF EMPLOYEES CONSISTENTLY REQUESTED GOVERNMENT DISCOUNT RATES FOR HOTELS.

During our testing of travel expense transactions and inquiry of university employees, we found that although hotels offer government discount rates, many of the university's employees are

AUDIT FINDINGS AND RESPONSES (CONTINUED)

unaware these rates exist, do not ask for them and therefore do not receive the discount. Our testing of transactions revealed specific instances where hotels that offered a government discount rate were paid at either the regular or group rates that, in most cases, costs the university substantially more. NCOSBM Travel Policies and Regulations provide that employees traveling on official state business are expected to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and expending personal funds.

Recommendations: The university should update its travel policies and procedures to include education about hotel government discount rates applicable to State employees. The university should inform its employees that many hotels offer government discount rates that should be requested when hotel reservations are made.

University Management's Response: We concur. We will include in our published travel policies and travel training the need for employees to seek hotel government discount rates when available.

INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT

We determined the following related to the details mentioned in the audit finding above:

Corrective Actions Implemented by University Management:

- During our review, we noted information in the university's updated travel policies and procedures regarding employees requesting government rates for hotels.

Recommendations Not Addressed by University Management:

- Internal Audit recommended that the university inform its employees that many hotels offer government discount rates that should be requested when hotel reservations are made. During our review, outside of the updated policies and procedures, we noted no evidence to substantiate that employees have been effectively educated about requesting government rates for hotels.

INTERNAL AUDIT'S OPINION:

It is our opinion that this issue has been *partially resolved*.

INTERNAL AUDIT'S RECOMMENDATION:

The university should implement the previous recommendation and inform its employees that many hotels offer government discount rates that should be requested when hotel reservations are made. We recommend management send an electronic communication, University-wide, concerning government discount rates for hotels.

AUDIT FINDINGS AND RESPONSES (CONTINUED)

FINDING:**5. CHANGES IN ACCESS RIGHTS ARE NOT EFFECTIVELY COMMUNICATED TO ENSURE ACCESS RIGHTS ARE TERMINATED COMPLETELY AND TIMELY**

During our review of system access to the Accounts Payable software applications we noted that the university is not reviewing access to university information systems outside of Banner (the university's accounting information system). In addition, the university has not established a clear delineation of roles and responsibilities with respect to access reviews and termination regarding systems other than Banner. Specifically, we noted two former employees of the Accounts Payable and Accounting departments with access to Intellectcheck, the university's check writing application. Based on inquiries of personnel within the Information Technology (IT) Department, access to Intellectcheck is contingent upon access to the university's network. Therefore, a person without access to the network cannot access Intellectcheck. The former Accounts Payable employee was separated from the university and the employee's access to the network was terminated at the time of separation. However, the former Accounting employee is still employed by the university, via another department, and has no job related reason for access to the university's check writing application.

Recommendations: The IT Department should develop an information security program that governs all university information systems. This program should include communication systems that will ensure access to all systems is changed or terminated timely and completely. Further, IT should consider performing annual access verification for all system applications used by the university.

University Management's Response: We concur. The IT department is in the process of implementing an identity/access management system that will help monitor and control systems access. In addition, new processes are being implemented that will assist in changing an employee's application permissions when changing departments. The new processes are part of the new information security protocol which aligns with the University of North Carolina's recent adoption of the International Organization for Standardization's standard, 27002.

INTERNAL AUDIT'S FOLLOW-UP REVIEW OF ACTIONS TAKEN BY MANAGEMENT

We determined the following related to the details mentioned in the audit finding above:

Corrective Actions Implemented by University Management:

- Internal Audit noted new processes along with training for communicating terminations to the IT Department timely and completely. The new processes, owned by the Department of Human Resources (HR), require managers to submit a separation workflow into the HR module of the university's accounting information system (Banner). The manager will input an effective date for the separation. Once

AUDIT FINDINGS AND RESPONSES (CONCLUDED)

the separation workflow has been approved, all access to university resources will be disabled as of the effective date. There is a training video on the HR website along with links that provide how to approve and submit a separation workflow.

Recommendations Not Addressed by University Management:

- Internal Audit also recommended that the IT Department develop an information security program with communication systems for employee transfers to ensure that systems access is changed timely and appropriately. Further, Internal Audit recommended that IT consider performing annual access verification for all system applications used by the university. During our review, we noted that IT still has plans to implement an identity management system to help monitor and control systems access but had not done so by the conclusion of our fieldwork.

INTERNAL AUDIT OPINION:

It is our opinion the issue related to changes in access rights has been *partially resolved*.

INTERNAL AUDIT'S RECOMMENDATIONS:

The IT Department should implement Internal Audit's previous recommendations and develop an information security program that includes communication systems to ensure access to all systems is changed timely and completely. Further, IT should perform annual access verification for all system applications used by the university.

Internal Audit will conduct a Post-Follow-Up Review for the effective implementation of all recommendations to ensure the university has completely resolved these findings.