



***Internal Audit***

***Review of Employee Expense Reimbursements***

***June 10, 2016***

**Office of Internal Audit and Compliance**



# Missouri State<sup>™</sup>

U N I V E R S I T Y

**DATE:** June 10, 2016

**TO:** Administrative Council

**FROM:** Donna Christian, Director of Internal Audit and Compliance

**CC:** Steve Foucart, Chief Financial Officer  
Clifton M. Smart III, University President

**RE: INTERNAL AUDIT: REVIEW OF EMPLOYEE EXPENSE REIMBURSEMENTS**

## **BACKGROUND**

Business expenses paid for by a University employee and subsequently reimbursed by the University are included in this audit. University employees must prepare a Travel Expense Report with proper documentation and approval prior to receiving reimbursement. Upon approval, Travel Expense Reports are submitted to the Office of Financial Services for review and processing. Funds for travel expenses can also be received by employees in advance of incurring expenses through a travel advance. All travel advances are charged to the employees accounts receivable until a properly documented and approved Travel Expense Report is prepared to account for the use of the travel advance.

Examples of business expenses reimbursed include meals, mileage, hotel, parking, conference registration fees, rental car fees and fuel, taxi fees, airline tickets, etc. Student travel expenses are typically paid for by a University employee and are included in amounts reimbursed. Expenses charged on University purchase cards (direct pay hotel charges, conference charges, and airfare charges) are not included in this audit, but are audited separately. Business expenses reimbursed to University executive employees (University President and Administrative Council) are also not included in this audit.

## **OBJECTIVE AND SCOPE**

The objective of this audit was to review a sample of travel expense reports filed by University employees to ensure expenses were adequately documented and ensure compliance with University policies. The scope of this audit was the six-month period from July 1, 2015 to December 31, 2015.

## **SUMMARY**

Our review of 100 employee expense reimbursement reports identified minimal errors and minimal policy violations. We applaud the Office of Financial Services for their detailed review and for the corrections made to these reports prior to payment.

Sincerely,

A handwritten signature in cursive script that reads "Donna Christian". The signature is written in black ink and is positioned above a horizontal line.

Donna Christian, CPA, CGFM  
Director of Internal Audit and Compliance  
Fieldwork Completion Date: May 24, 2016

## **OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES**

Between July 1, 2015 and December 31, 2015, approximately 1,400 University employees received expense reimbursements totaling approximately \$1.5 million. Approximately 3,300 expense reports were completed and filed by employees during this six-month period. Individual reimbursement amounts ranged from 65 cents to \$28,209.56. The largest travel reimbursement (\$28,209.56) was costs associated with a band trip to Disney World and was initially paid to the band instructor through a travel advance of \$34,125 prior to the trip with the difference reimbursed to the University after the trip. The funds were used to pay meal expenses for over 300 student band members and staff.

We judgmentally selected 100 expense reports totaling \$216,903.35 to review. This review found that most expense reports were very well documented and complied with University policies. Exceptions identified were as follows:

- ❖ The foreign travel approval form was often not completed and approved before an employee traveled internationally. The form was often prepared and approved after the employee returned from their trip. Some instances were noted where the Office of Financial Services asked for a foreign travel approval form because one was not prepared and submitted with the expense report. University Operating Policy 8.22-7 requires foreign travel to be approved prior to traveling.
- ❖ One expense reimbursement form included \$525 paid in cash, in \$25 increments to interviewees associated with a research project. The only documentation to support the \$525 was an interviewee's name on a Missouri State University receipt slip. The expense report indicated the research project involved interviewing probationers. Better documentation would have been to include some additional information about the interviewee such as address, case number or associated probation officer to provide more legitimacy to the expense.
- ❖ Two expense reimbursement request forms totaling \$2,757 included travel expenses associated with the employee attending a conference; however, the conference brochure or agenda was not included with the documentation. University Operating Policy 8.22-6 travel expense reports pertaining to conference travel to include conference documentation such as the agenda, registration form, brochure or other documentation.
- ❖ One expense report included \$415 for a local Rotary membership; however, the University Fiscal Responsibility Policy G1.13 only allows civic memberships for the President, Provost, Vice Presidents and Deans. This employee was a director level employee.

We applaud the Office of Financial Services for their detailed review of employee expense reports. We observed numerous instances where the Office of Financial Services had to request additional documentation from the employee, reduced the reimbursement amount for the lack of documentation, or make corrections to expense reports because of errors. Because of their detailed review of these reports, errors and exceptions were minimal.

## **RECOMMENDATIONS**

Responsible administrators should ensure expense reimbursement reports include adequate documentation and are accurate prior to submitting them to the Office of Financial Services. Additionally, responsible administrators should ensure all expenses comply with University policies.

## **MANAGEMENT RESPONSES**

This report was reviewed and discussed with all executive level employees on the President's Administrative Council. Internal Audit requested they communicate these findings to their administrators and staff.