

**Audit and Advisory Services**  
401 Golden Shore  
Long Beach, CA 90802-4210

May 21, 2024

Dr. Saúl Jiménez-Sandoval, President  
California State University, Fresno  
5241 N. Maple Avenue  
Fresno, CA 93740

Dear Dr. Jiménez-Sandoval:

**Subject: Audit Report 23-24, Executive Travel and Hospitality, California State University, Fresno**

We have completed an audit of *Executive Travel and Hospitality* as part of our 2023-2024 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu  
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor  
Yammilette Rodriguez, Chair, Committee on Audit  
Jean Picker Firstenberg, Vice Chair, Committee on Audit

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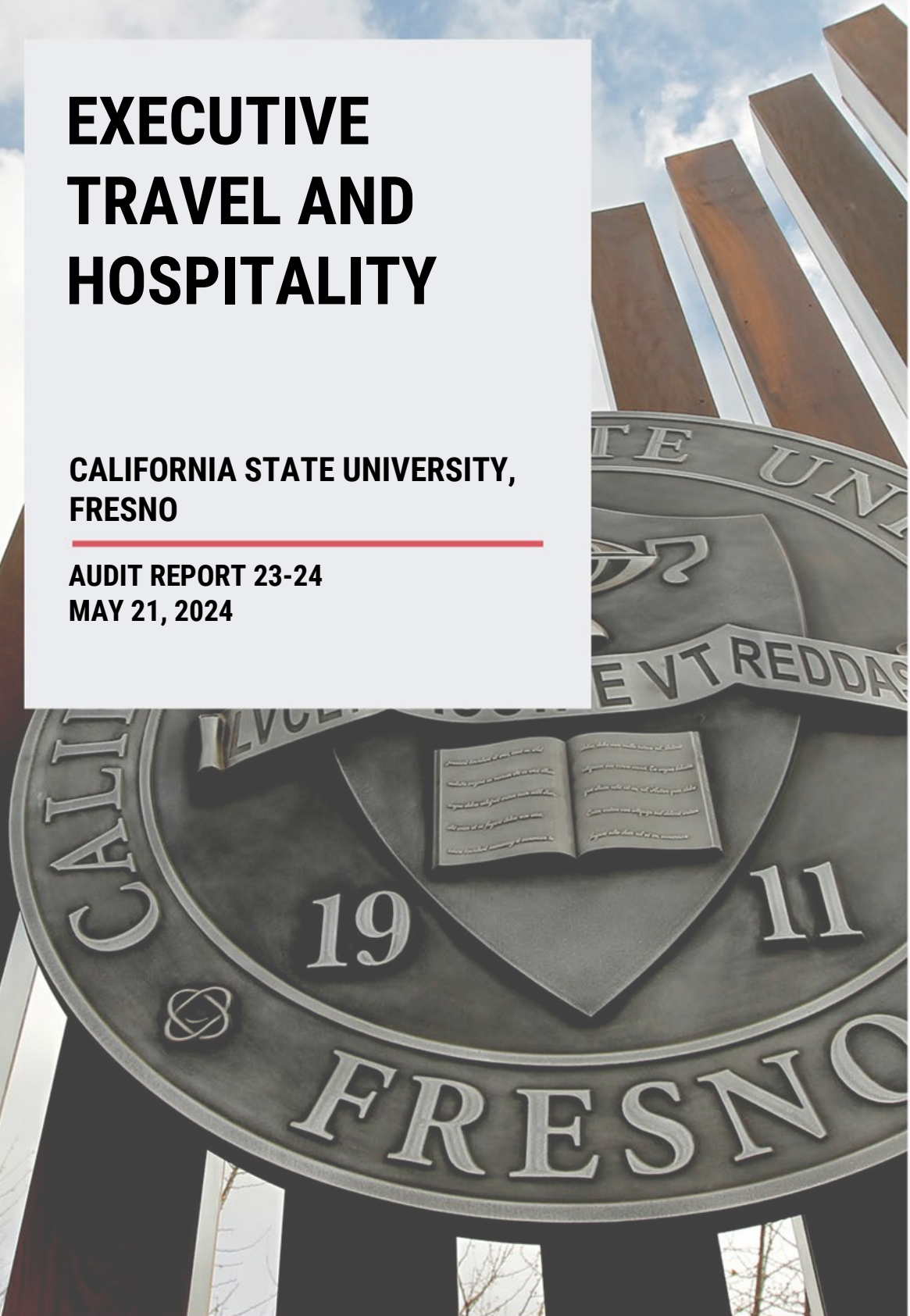
The California State University

# EXECUTIVE TRAVEL AND HOSPITALITY

CALIFORNIA STATE UNIVERSITY,  
FRESNO

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AUDIT REPORT 23-24  
MAY 21, 2024



## **EXECUTIVE SUMMARY**

### **AUDIT OBJECTIVES AND BACKGROUND**

In accordance with the fiscal year 2023/24 Audit Plan, as approved by the Board of Trustees, Audit and Advisory Services performed an audit of executive travel and hospitality at California State University, Fresno (Fresno State).

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to executive travel and hospitality and to ensure compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus and auxiliary procedures.

The California State University (CSU) pays or reimburses travel and hospitality expenses that are ordinary, reasonable, appropriate, and necessary to conduct official university business and serve a purpose consistent with the mission and fiduciary responsibilities of the university. Official university business may include activities that contribute to any one of the university's major functions of teaching, research, or public service, such as attendance at conferences, conventions, business meetings, fundraising events, development activities, and recruitment of staff and students.

For the purpose of this review, executives were defined as the campus president, vice presidents, college deans, and athletics director. The review included travel and hospitality expenses funded by state and auxiliary funds, with a focus on high-dollar transactions and individuals with a high frequency of expenses. At Fresno State, auxiliary-funded travel and hospitality expenses are primarily paid through the Foundation and Athletics Corporation using philanthropic funds and campus program funds.

### **OVERALL 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 executive travel and hospitality as of March 8, 2024, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

### **AUDIT SCOPE AND RESULTS**

In general, we found that executive travel and hospitality administration was effective and in compliance with CSU policies and procedures. Fresno State and its auxiliaries retain experienced teams and maintain well-defined processes that sufficiently guide employees who use state and auxiliary funds for travel and hospitality.

However, our review did note areas for improvement in the consistency of compliance with established travel and hospitality procedures. These areas included sufficient documentation of travel and hospitality expenditures, as well as a few instances of overpayments or double reimbursements for certain expenses. Additionally, exceptions to established policies were not always documented or appropriately approved. A summary of the observations noted in the report is presented in the table below. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
<b>Travel Expenses</b>	Administration of travel claims, funding and payment method, campus and auxiliary travel expense procedures, delegation of authority, travel advances, sample travel expenses review, training, and record retention	<i>Observations noted in exceptions to policy, supporting documentation, and over-reimbursements</i>
<b>Hospitality Expenses</b>	Administration of hospitality expenses, funding and payment methods, campus and auxiliary hospitality expense process, delegation of authority, sample hospitality expenses review, training, and record retention	<i>Observations noted in supporting documentation and expense approvals</i>
<b>Systems Access</b>	Systems used to process travel and hospitality expenditures and user-access control	<i>Effective – no reportable observations noted</i>

The audit focused on procedures in effect from July 1, 2022, to March 8, 2024. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. Our review was limited to gaining reasonable assurance that essential elements of executive travel and hospitality were in place and did not examine all aspects of the program.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. TRAVEL EXPENDITURES

#### OBSERVATION

The campus did not consistently comply with established travel claim procedures related to policy exceptions and sufficient support. In addition, travelers were over-reimbursed on a few claims.

We reviewed 32 travel expenditures for compliance with the *CSU Travel and Business Expense Payments Policy* (CSU Travel Policy) and the Foundation and Athletic Corporation travel policies to ensure they were properly authorized, within policy limits, incurred for appropriate business purposes, and adequately documented.

We found that:

- In 21 instances when an executive traveled to attend a conference or meeting, an agenda, schedule, or other documentation to fully support the purpose and dates of the trip was not provided with the travel claim. Although the CSU Travel Policy does not require the traveler to submit an agenda or itemized schedule with travel claims, it does require the reviewer to ensure the trip was conducted for university business and complies with established travel policies. For example, an agenda for a conference can support the business purpose of the trip and document the days the traveler was eligible for per diem meal reimbursement. It can also help the reviewer confirm that no personal travel outside of the dates of the conference or meeting were claimed.
- One instance of business-class airfare and four instances of supplemental seat upgrades beyond economy class were claimed and reimbursed to the traveler without documented justification. The CSU Travel Policy and Foundation Travel Policy both state that only coach fares, baggage fees, and related administrative charges may be claimed.
- In one instance, we noted that the campus reimbursed an airfare upgrade that had already been refunded to the traveler by the airline. Specifically, the traveler purchased and received a refund for a boarding zone upgrade costing \$33 but was reimbursed \$66 by the campus. This resulted in a total overpayment of \$66. Subsequent to fieldwork, a credit memo was issued for \$66 to correct the overpayment, which will deduct \$66 from the executive's next travel claim.
- In one instance, a traveler was reimbursed for a hotel deposit fee through a travel claim that had already been paid for using a procurement card, resulting in double payment of \$270. The traveler refunded the overpayment during fieldwork. The same hotel stay also included a no-show charge for one night, but no business justification was provided. Per the CSU Travel Policy, the traveler must show that charges or lost refunds were the result of circumstances beyond the traveler's control.

Proper administration of executive travel can help ensure that all expenditures are adequately reviewed and approved by the appropriate individuals and comply with systemwide and campus policy and procedures and can help minimize the risk of misappropriation of funds.

**RECOMMENDATION**

We recommend that the campus:

- a. Review and update campus and auxiliary travel procedures to address the items noted above.
- b. Remind travelers and appropriate personnel reviewing and approving travel claims of CSU policy and campus procedures addressing the items noted above.

<b>MANAGEMENT RESPONSE</b>
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Management concurs. By August 1, 2024, the campus, in partnership with the auxiliary organizations, will update our travel policies to require inclusion of an agenda/itinerary, as well as a reminder that reimbursement is for economy air travel only and that any seat upgrades are the employee’s responsibility and non-reimbursable. In addition, all executive travel will be processed through Concur (stateside), and the Foundation will be billed if there is a need for reimbursement from a Foundation trust account. Email reminders have already been sent to the provost/vice president for academic affairs to share with the deans, and the campus chief financial officer (CFO) has presented this audit report to the cabinet on May 13, 2024, with reminders about policy compliance and review of travel claims submitted to them for approval.
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**2. HOSPITALITY EXPENDITURES**

**OBSERVATION**

The campus did not consistently comply with established hospitality procedures related to documentary support, appropriate approvals, and tax requirements.

We reviewed 36 hospitality expenditures for compliance with the CSU *Hospitality Policy* and the Foundation *Community Relations Policy* to ensure that they were properly authorized, within policy limits, incurred for appropriate business purposes, and adequately documented.

We found that:

- In three instances, reimbursement for gift cards was requested; however, no tax consequences were considered. The Foundation *Community Relations Policy* states that cash/check awards to University or Foundation employees are subject to payroll taxes and withholding. Additionally, per the CSU *Hospitality Policy*, cash and cash equivalent items, such as gift cards and certificates, no matter how small, are always taxable to the employee as wages.
- In two instances, although the hospitality expenses appeared appropriate, sufficient documentation for the expenses was not provided. Documentation for hospitality should support the business purpose/justification for the hospitality expense, contain proper approvals, and provide lists of attendees when applicable.
- In one instance, an executive approved their own hospitality expenditure.

Proper administration of executive hospitality can help ensure that all expenditures are adequately reviewed, approved by the appropriate individuals, compliant with hospitality policies and procedures; in addition, it can help minimize the risk of misappropriation of funds.

**RECOMMENDATION**

We recommend that the campus, in conjunction with the Foundation and Athletics Corporation, remind appropriate personnel of hospitality claim requirements and enhance procedures addressing the items noted above.

**MANAGEMENT RESPONSE**

Management concurs. By September 15, 2024, the campus CFO will send a communication to the campus about the procurement of gift cards (for retirement gifts, incentives, program awards, etc.) as such gift cards, no matter how small, are considered taxable wages to the employee.

By July 1, 2024, appropriate personnel will be reminded about the requirements of the respective auxiliary *Community Relations Policy* and the need to provide additional supporting documentation, including a list of attendees at such events/programs.

## GENERAL INFORMATION

### ADDITIONAL BACKGROUND

The primary CSU policies governing travel are *Delegation of Authority – Approval of Travel Requests* and the CSU Travel Policy. These policies delegate authority to each president to subdelegate authority to approve travel requests for campus personnel. The CSU Travel Policy applies to all CSU employees, including executives, students, and others traveling on university business, and discusses the procedures and documents necessary to obtain approval for reimbursement of travel expenses. The CSU Travel Policy also specifically addresses appropriate approval levels for the campus president and vice presidents, as well as travel expenses of a spouse or registered domestic partner who accompanies a university business traveler.

The primary CSU policy governing hospitality is the *CSU Hospitality Policy*. It applies to activities that promote the CSU to the public and the provision of hospitality in connection with official CSU business, and it specifies the university and auxiliary funds that may be used for such purposes. Each campus and its auxiliaries are required to develop written procedures, consistent with this policy, regarding the payment of ordinary and necessary hospitality expenditures. The policy governs the appropriate use of state, auxiliary, sponsored programs, trust, and agency funds unless legally exempted or otherwise restricted. The policy also defines allowable and unallowable expenditures, allowable funding sources, and appropriate approval processes.

At Fresno State, the accounts payable (AP) department within financial services is responsible for the oversight of stateside travel and hospitality management activities and ensures compliance with systemwide and campus policies and procedures. Specifically, the AP department is responsible for ensuring that university expenditures are properly approved, timely and accurately recorded, and consistent with overall guidelines and regulations. The AP department is overseen by the assistant vice president, who reports to the vice president for administration and chief financial officer.

Executive travel and hospitality at Fresno State may also be funded by two auxiliaries: the Foundation and the Athletics Corporation. Foundation travel and hospitality expenditures are processed by Foundation accounting staff. Athletics Corporation travel and hospitality expenditures are processed through the campus AP department, who then bills the Athletics Corporation for its services.

### CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance, Trustee policy, Office of the Chancellor directives, and campus and auxiliary procedures, as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Government Code 13402 and 13403, *State Leadership Accountability Act*
- Education Code 89753, *Expenditures and Control*
- CSU *Delegation of Authority – Approval of Travel Requests*
- CSU *Designation of Chief Financial Officer*
- CSU *Delegation of Authority and Responsibility*
- CSU *Systemwide Records/Information Retention and Disposition*



- *CSU Contracts and Procurement Policy*
- *CSU Hospitality Policy*
- *CSU Travel and Business Expense Payment Policy*
- *Fresno State CSU Travel Procedures*
- *Foundation Travel Policy*
- *Foundation Community Relations Policy*
- *Athletics Corporation Travel Policy*

## **AUDIT TEAM**

Senior Audit Manager: Hannah Gardener

Senior Auditor: Matthew Shum

Internal Auditor: Alec Bezjian