

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

May 1, 2024

Dr. Vanya Quiñones, President  
California State University, Monterey Bay  
100 Campus Center, Administration Building  
Seaside, CA 93955

Dear Dr. Quiñones:

**Subject: Audit Report 23-37, Executive Travel and Hospitality,  
California State University, Monterey Bay**

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  
Yamilette Rodriguez, Chair, Committee on Audit  
Jean Picker Firstenberg, Vice Chair, Committee on Audit

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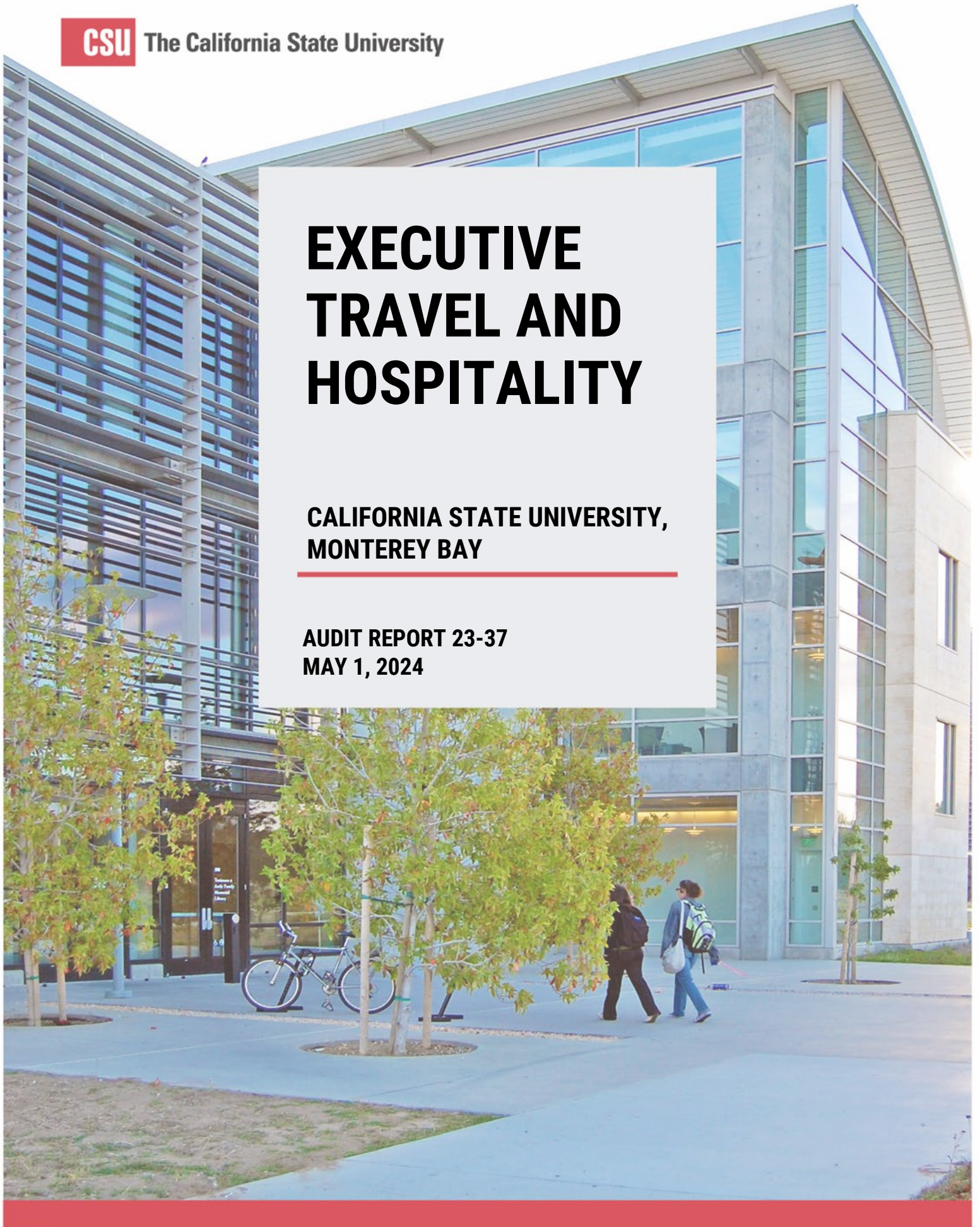
The California State University

# EXECUTIVE TRAVEL AND HOSPITALITY

CALIFORNIA STATE UNIVERSITY,  
MONTEREY BAY

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AUDIT REPORT 23-37  
MAY 1, 2024



## **EXECUTIVE SUMMARY**

### **AUDIT OBJECTIVES AND BACKGROUND**

In accordance with the fiscal year (FY) 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, Monterey Bay (CSUMB).

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 CSUMB, auxiliary-funded travel and hospitality expenses are paid through the University Corporation (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 expenditures as of February 28, 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. CSUMB and the Corporation employ experienced accounting teams and use established processes that provide guidance to university executives regarding travel and hospitality expenses.

However, our review did note areas for improvement in the consistency of compliance with established procedures related to the approval and documentation of travel expenditures and approval of hospitality claims paid through the Corporation. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
<b>Travel Expenses</b>	Administration of university business travel for executives, including campus and auxiliary travel expense procedures, funding and payment methods, travel advances, and travel expense approvals and documentation	<i>Observations noted in supporting documentation for travel expenses, including personal costs reimbursed in travel claims</i>
<b>Hospitality Expenses</b>	Administration of university hospitality for executives, including campus and auxiliary hospitality expense procedures, funding and payment methods, and hospitality expense approvals and documentation	<i>Observation noted related to Corporation hospitality expense approvals</i>
<b>Systems Access</b>	Processes to ensure that only authorized users have access to systems used to process travel and hospitality expenditures	<i>Effective – no reportable observations noted</i>

The audit focused on procedures in effect from July 1, 2022, through February 28, 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 required support and documentation.

We reviewed 29 travel expenditures for compliance with the *CSU Travel and Business Expense Payment Policy* (CSU Travel 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, travel that contained a personal component was not adequately documented. Although all three trips identified the personal days of travel and were pre-approved, they did not include sufficient documentation to determine whether any additional expenses resulted from the changes in the travel itinerary for the personal component of the trip. Furthermore, for two of these claims, some personal expenses were inadvertently included in the travel expense claim and reimbursed to the employees. Subsequent to audit fieldwork, campus management notified the travelers, and the expenses were reimbursed to the university.
- For one claim for international travel, a portion of the flight cost should have been taxable to the traveler. Specifically, the trip lasted 26 days, including 12 personal days, and did not meet any of the exception criteria spelled out in the CSU Travel Policy that would allow the trip to be treated as entirely for business and nontaxable. Furthermore, the traveler did not obtain travel insurance required by the California State University Risk Management Authority (CSURMA) for the trip.
- In one instance, a traveler used a personal vehicle in lieu of air travel for a round trip of 864 miles. Although a pre-approval was granted, no cost comparison analysis between airfare cost and car mileage cost was documented as required by campus policy.
- In one instance, although the expense appeared to be reasonable, a transportation expense of \$85.43 was not supported by a receipt, and the missing receipt certification was not completed.

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 travel procedures to address documentation requirements for trips with a personal component, such as the use of a cost-comparison template to ensure that no additional costs are incurred by the CSU as a result of the personal travel.
- b. Remind travelers and appropriate personnel reviewing and approving travel claims of CSU policy and campus procedures addressing the items noted above.



**MANAGEMENT RESPONSE**

The campus concurs. The following actions will be taken in response to the observations:

- a. The business office will review and update travel procedures to address documentation requirements for trips with a personal component.
- b. The business office will communicate and inform travelers and travel staff of the CSU policy and travel documentation requirements.

Expected completion date: October 25, 2024

**2. HOSPITALITY CLAIMS**

**OBSERVATION**

The University Corporation at Monterey Bay (Corporation) did not consistently comply with established hospitality guidelines and procedures.

We reviewed 31 hospitality claims and noted that in two instances, the hospitality expenses were not approved by the appropriate individual with delegated authority. Campus management stated this was due to personnel changes. We confirmed that the two hospitality claims totaling \$192 were properly supported and that the costs were appropriate and in compliance with the Corporation’s policies.

Compliance with hospitality policies enhances accountability and helps to ensure that all expenditures are appropriate.

**RECOMMENDATION**

We recommend that the campus, in conjunction with the Corporation, remind related personnel of the proper approval process for hospitality expenses.

**MANAGEMENT RESPONSE**

The campus concurs. The approval process for hospitality expenses will be communicated to appropriate personnel.

Expected completion date: May 31, 2024

## 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 CSUMB, the accounts payable (AP) department within financial services is responsible for overseeing travel and hospitality management activities and ensuring 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 director of accounting who reports to the associate vice president for finance, who reports to the vice president of administration and finance. Similarly, the Corporation's AP department is responsible for the oversight and administration of travel and hospitality activities at the Corporation. The Corporation AP department is overseen by the controller of the Corporation, who reports to the Corporation's executive director.

### 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 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 *Delegation of Authority and Responsibility*
- CSU *Systemwide Records/Information Retention and Disposition*
- CSU *Hospitality Policy*
- CSU *Travel and Business Expense Payment Policy*
- CSU *Contracts and Procurement Policy*

- CSU *High Hazard International Travel Approval Process and Requirement to Purchase Insurance*
- CSU *Information Security Policy and Standards*
- CSUMB *Hospitality Procedure Manual*
- CSUMB Corporation *Travel Procedures Handbook*
- CSUMB Corporation *Hospitality Expense Guidelines and Procedures Manual*

## **AUDIT TEAM**

Senior Audit Manager: Christina Chen

Senior Auditor: Marlon Perez