

**AUDIT OF TRAVEL ACTIVITY IN THE  
DEPARTMENT OF FAMILY & COMMUNITY MEDICINE**

**THE UNIVERSITY OF NEW MEXICO**

**Report 2019-15  
October 9, 2019**



**THE UNIVERSITY OF  
NEW MEXICO**

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## ABBREVIATIONS

AHEC .....	Area Health Education Center
FCM .....	Department of Family and Community Medicine
HSC .....	UNM Health Sciences Center
IA .....	UNM Internal Audit Department
IRS .....	Internal Revenue Service (U.S. federal agency)
MSPAS .....	Masters of Science in Physician Assistant Studies
PCard.....	Purchasing Card
UAP .....	University Administrative Policies
UNM .....	University of New Mexico

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## EXECUTIVE SUMMARY

The University of New Mexico (UNM) Internal Audit Department (IA) conducted an audit over the travel activity within the Department of Family and Community Medicine (FCM) in response to a management request made by the Health Sciences Center's (HSC) Chief Compliance Officer within an EthicsPoint investigation he conducted.

Audit procedures performed include review of University Administrative Policies (UAP) governing business purpose, accountable plans, and travel policies, interviewing personnel to gain an understanding of processes and controls, researching extra-University regulations, and performance of detailed testing for the period of July 1, 2018 through May 31, 2019.

Significant observations noted in this report are presented below. Less significant observations are presented in the body of the report.

- A PCard holder in the Department had prohibited transactions on their PCard.
- Business purpose documentation was incomplete in Chrome River reports for travel reimbursements and PCard payments.

Although the Department of Family and Community Medicine (FCM) has designed an adequate control system to ensure compliance with University policies and procedures, there is an opportunity to improve the operating effectiveness of the controls, particularly as it relates to the review control. FCM Chrome River preparers do not always completely document the business purpose for travel and reviewers do not always adhere to UAP as it relates to documentation requirements of business purpose when reviewing and approving reimbursements or PCard allocations.

Internal audit recommends:

- FCM work with the PCard Office to review the activity of the PCard holder and address the violations in a manner consistent with its policies.
- FCM Chrome River preparers and reviewers should receive training over *UAP 4000, Allowable and Unallowable Expenditures* and *UAP 4030, Travel*.

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# INTRODUCTION

## BACKGROUND

The Department of Family and Community Medicine (FCM) is an academic department within the School of Medicine and part of UNM's Health Sciences Center. In addition to its medical education mission, faculty and staff are also engaged in research and provide medical services in clinics located throughout the UNM Health System.

Consisting of 86 faculty/providers and 43 staff members, FCM strives to provide the tools, support, and expertise for their learners to enable them to excel in education and service to New Mexico communities. In addition to providing medical education to medical students, FCM also offers a Master's of Science in Physician Assistant Studies (MSPAS), and fellowships in the fields of Maternal Child Health, Addiction Medicine, Sports Medicine, Rural Medicine and Geriatrics.

The net results of these activities during the audit period generated approximately \$20.78M of revenue, with \$19.2M expended in support of these activities.

**Table 1. Expenditures by Program (Level 1)**

Family & Community Medicine (Org. 160A) - July 1, 2018 - May 31, 2019 - Actual Expenditures					
	P1: Instruction	P2: Research	P3: Public Service	P5: Other	All Programs
Revenue	(3,950,267)	(3,520,859)	(13,252,883)	(53,039)	(20,777,048)
Salary Expenses	3,159,541	2,109,673	11,029,994	21,049	16,320,257
Other Expenses*	363,905	1,427,534	1,119,281	9,036	2,919,756
Net Income / (Loss)	(426,821)	16,348	(1,103,607)	(22,954)	(1,537,035)
*: Travel transactions totals:	\$ 36,992	\$ 80,725	\$ 257,750	\$ 2,460	\$ 377,927
% of Other Expenses:	10%	6%	23%	27%	13%

Source: MyReports (Org. Level 5 160A) – July 1, 2018 thru May 31, 2019 (Audit Period) Data

## Travel Activity

Faculty, staff, and students within FCM travel for a variety of business reasons, including presenting at or attending academic conferences, performance of research activities, or provision of clinical training opportunities across the State. All travel that is conducted within FCM is subject to *UAP 4000, Allowable and Unallowable Expenditures, UAP 4030, Travel*, and PCard policies governing allowable and unallowable travel activity and timely allocation of purchases, in addition to some less formalized departmental policies governing when rental cars may be used.

The traveler typically will work with an administrative staff person to make travel arrangements on a PCard to minimize out-of-pocket costs being incurred by the traveler. Pre-travel costs typically include payment for conference registration and airfare costs, which are typically reconciled by the PCard holder in Chrome River within 15 business days, as required by PCard policy. For all remaining costs incurred during the travel, the traveler retains documentation to support the costs incurred for which they wish to be reimbursed, as well as to document the



business purpose for travel (e.g. a conference/meeting agenda). Those documents are presented to the Chrome River reimbursement report preparer, typically an administrative staff person, who will enter in the reimbursement request into Chrome River, upload required documents to support the activity and costs, and submits the report for review and approval within the Department.

### **PURPOSE AND OBJECTIVE**

The University of New Mexico (UNM) Internal Audit Department (IA) conducted an audit over the travel activity within the Department of Family and Community Medicine (FCM) in response to a management request made by the Health Sciences Center's (HSC) Chief Compliance Officer within an EthicsPoint investigation he conducted.

The objective of the audit was to assess the internal control environment over key departmental administrative and financial processes involving travel activity. Compliance with University policies and procedures was also evaluated where applicable.

### **SCOPE AND PROCEDURES PERFORMED**

To ensure that the audit would cover activity prior to the December 2018 event that prompted the EthicsPoint investigation, an audit period of July 1, 2018 through May 31, 2019 was established. The scope of the audit focused on controls surrounding the travel process, from the point of initiation (e.g. expenditure of University funds) through the completion of travel and subsequent reimbursement.

Audit procedures performed include review of University Administrative Policies (UAP) governing business purpose, accountable plans, and travel policies, interviewing department personnel to gain an understanding of processes and controls, researching extra-University regulations, developing a risk assessment, designing an audit plan to sufficiently address the risks identified, and substantive testing of travel activity and PCard policies and procedures compliance.

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## OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

The substantive testing was performed in three tranches: a random sampling tranche (57 selections); a judgmental selection tranche (26 selections); and specific-user PCard tranche (32 travel-related PCard transactions).

The traveler at issue in the EthicsPoint complaint had all of their travel and related activity judgmentally selected. In the course of performing audit procedures over that activity, IA identified PCard transactions that were prohibited under PCard policies and procedures. To address specific PCard policy compliance more thoroughly, IA determined it was appropriate to select travel and related activity purchases by the PCard holder during the audit period and assess it for compliance with PCard policies and procedures.

The PCard holder's travel and related purchases consisted of 32 transactions used in the course of nine (9) travel activities and one (1) local training activity. The following observations were made in the course of this test work:

### NONCOMPLIANCE WITH PCARD POLICIES AND PROCEDURES

Upon review of the 32 PCard transactions against PCard policies and procedures, IA identified the following exceptions, all involving a single trip:

- Six (6) PCard transactions for foreign travel arrangements involving the PCard holder and a faculty traveler did not have the required pre-approval documentation from the Department Chair. PCard policies and procedures, *Allowable & Unallowable PCard Travel Purchases*, state, "All International Travel expenditures must include documentation of prior approval from the Dean, Director, Department Head, PI or designate." Although departmental approval was eventually obtained, it was more than a month after the PCard was used to pay for international airfare for the PCard holder and faculty traveler as well as their conference registration fees.
- One (1) PCard transaction included unallowable charges (mini-bar from hotel) charged to the PCard. PCard policies and procedures, *Allowable & Unallowable PCard Travel Purchases*, states, "If lodging will be paid by PCard, please be advised that no incidentals may be charged to the PCard. Incidentals include ...mini-bar charges." The Department Administrator stated that the PCard holder contends the traveling faculty member moved items within the mini-bar fridge in the room, which triggered the sensors to register the charges. After failing to have the charges reversed by the hotel, IA recommended repayment by the traveler and has received support that the mini-bar charges were repaid by the faculty member.
- One (1) PCard transaction had personal travel (three hotel nights) covered on the PCard. PCard policies and procedures, *Allowable & Unallowable PCard Travel Purchases*, states, "Additional costs incurred for dates before or after the dates of the business event...are not allowable." IA recommended repayment by the travelers and received



support showing that the faculty traveler and the staff traveler (PCard holder) repaid two room nights and one room night, respectively.

In addition to the specific prohibited transactions identified in the course of the audit, the PCard holder also had additional PCard policy violations. Specifically:

- Nine (9) out of 32 (28%) PCard transactions were not timely reconciled. This was in direct contravention to PCard policies and procedures, *PCard Allocation and Reconciliation*, which requires, “Transactions must be submitted and approved within 15 business days of the date the transaction appears in Chrome River.” All nine transactions were eventually allocated and reconciled in Chrome River.
- Four (4) out of 32 (13%) PCard transactions did not have adequate documentation to document cost-neutral effect of combining personal and business travel. This was in direct contravention to PCard policies and procedures, *Allowable & Unallowable PCard Travel Purchases*”, which allows for personal travel to occur if the cost of the travel is less than or equal to the cost otherwise incurred for strictly business travel. However, the traveler must evidence this by including, “at least three (3) lowest-cost flight choices from Travelocity or Expedia and Southwest Air using a reasonable flight schedule based on the dates and times of the business event with the Chrome River Reconciliation.”

The numerous and repeated violations by the PCard holder suggests an indifference or unawareness of PCard policies and procedures, which if left unchecked, risks subjecting FCM and the University more broadly to potential fraud, waste or abuse.

#### **Recommendation 1:**

The Chair of the Department of Family and Community Medicine, or their representative, should work with the PCard Office to review the activity of the PCard holder and consider disciplinary action, up to revocation of their PCard.

#### **Response from the Chair of the Department of Family and Community Medicine:**

<b>Action Items</b>
<b>Targeted Completion Date:</b> December 20, 2019
<b>Assigned to:</b> Department Administrator, Department of Family and Community Medicine
<b>Corrective Action Planned:</b> We concur with the recommendation and our Chair and Department Administrator will set up a meeting to work with the PCard Office to review the activity of the PCard holder. Disciplinary action will be considered and a final decision to include communication on the decision to the PCard holder will be done by December 20, 2019.



## BUSINESS PURPOSE DOCUMENTATION

UNM operates under an accountable plan for processing employee reimbursements, which provides that, as long as the travel is done for business purposes and within a set of guidelines established by the University, the reimbursement paid to the traveler is not considered taxable income. The business purpose documentation is one of the core requirements of the accountable plan, in that all aspects of the travel activity must be supported by a legitimate business purpose to be reimbursable.

*UAP 4000, Allowable and Unallowable Expenditures, §4*, states, “Under the Internal Revenue Service’s regulations, reimbursements and payments for ordinary and necessary business-related expenses that are not lavish or extravagant are excluded from taxable compensation when made under an “accountable plan” policy... Departments are responsible for providing sufficient documentation to satisfy the five “Ws”:

- Who—names of the individuals attending
- What—what (good or service) is being paid
- When—dates
- Where—location of the event
- Why—purpose of the event

In consideration of these criteria, Internal Audit identified nine (9) out of 83 activities (11%) tested which did not sufficiently demonstrate all of the “five Ws” in the Chrome River documentation.

- “What” is being reimbursed:

FCM administers the Area Health Education Center (AHEC) training program, which provides clinical training opportunities to health sciences students to train in underserved counties. Students who travel for AHEC are eligible to submit for a travel allowance after they complete their travel, which is intended to defray the costs incurred while participating in the program.

Documentation for four (4) AHEC student payments tested during the audit period did not support the amounts the students actually received. Upon inquiry with the Department Administrator, it was determined that the amounts appeared appropriate, but were nonetheless not supported in Chrome River.

- “Why” travel activities were reimbursed:

Three (3) trips tested during the audit did not adequately support the duration of travel, which extended beyond the documented business purpose (usually a conference agenda). When discussing this with the Department Administrator, there appeared to be a misinterpretation of the business purpose rules to allow a traveler up to 24 hours to return to Albuquerque.

- One (1) Chrome River report containing three trips in which the "when" was not defined in the Chrome River documentation.
- One (1) activity in which the "who" was not defined in the documentation. Specifically, the Chrome River report failed to include the list of attendees who attended the training, which *UAP 4000, Allowable and Unallowable Expenditures*, §5.2 required when fewer than 20 people attend a meeting.

Generally, these lapses originated from a combination of a misinterpretation of the rules, relying on a historic process for making payments, or simple administrative oversight. That these transactions made it past the review and approval control suggests that reviewers at times internalize their own understanding in these matters when applying their review to the document, rather than relying solely on the information documented in Chrome River. Additionally, there is a reliance on historical processes and policy understanding that contributed to this control not operating as effectively as it otherwise should.

### **Recommendation 2:**

The Department of Family and Community Medicine should:

- A) Establish written guidelines consistent with *UAP 4030, Travel* to clarify department-specific rules and monitor adherence to those guidelines, as appropriate.
- B) Require FCM Chrome River report preparers and reviewers to receive training over the elements of business purpose documentation detailed in *UAP 4000, Allowable and Unallowable Expenditures*.

### **Response from the Chair of the Department of Family and Community Medicine:**

<b>Action Items</b>
<i>Targeted Completion Date: January 31, 2020</i>
<i>Assigned to: Department Administrator, Department of Family and Community Medicine</i>
<i>Corrective Action Planned: We agree with the recommendation. Our Department Administrator will work with our Accounting team to update/create written guidelines to clarify department specific guidelines consistent with UAP 4030. A mandatory training will be held with all PCard users and approvers on the elements of a business purpose detailed in UAP 4000. In addition, communication on UAP 4030 requirements related to timely submission and approval of travel reimbursements will be sent to all faculty and staff. The training and communication to employees will be completed by January 31, 2020.</i>

## ERRORS WITH INDICES AND RATES USED

FCM routinely utilizes over 200 indices to account for the broad array of the academic, clinical, research and public service activities that occur within the Department. As a result of these various activities, a traveler's costs have to be allocated to an appropriate index that supports the underlying activities. Critically, sponsored research activities are tracked in restricted indices, and travel should only be put to the appropriate restricted index if it is allowable under the terms of the grant or contract award agreement.

*UAP 4030, Travel*, provides guidance to travelers for how to request and receive reimbursement for mileage driven using a personal vehicle. Travelers are typically entitled to the IRS standard mileage rates in effect on the date of travel (§9.4). Also, that same policy states that travelers are entitled to receive 75% of the *per diem* rate in effect on the dates of departure and return (§12.3).

In testing the travel and related activities during the audit period, IA noted that five (5) out of 229 transactions (2%) used an incorrect index or applied an incorrect reimbursement rate. Of those five transactions, three (3) concerned travel activity that was unallowable on a restricted index and two (2) involved applying incorrect mileage or *per diem* rates to a traveler's Chrome River report, resulting in both cases in the traveler receiving less money than they were otherwise eligible to receive.

IA believes that these exceptions were the result of misunderstanding of the funding source and review procedure lapses, to which manual processes are susceptible. This illustrates the inherent risk of these particular manual processes, index assignment or rate selection, include over- or under-reimbursing travelers, or in extreme cases, loss of grant funding due to inappropriate charges being put to the restricted index.

### Recommendation 3

The Department of Family and Community Medicine should process journal vouchers to transfer the three transactions (two *per diem* payments and one airfare payment) paid incorrectly from a restricted index to an unrestricted index appropriate for the business purpose. Additionally, FCM should work with HSC Contract & Grant Accounting to revise the financial reports issued to the respective agencies to reflect the corrective transfers that were made.

### Response from the Chair of the Department of Family and Community Medicine:

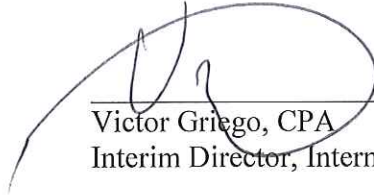
<b>Action Items</b>
<i>Targeted Completion Date: December 20, 2019</i>
<i>Assigned to: Department Administrator, Family and Community Medicine</i>



***Corrective Action Planned:*** *We agree with the recommendation. We completed the journal vouchers to move these charges to the correct unrestricted indices in August 2019. Going forward, department reviewers will ensure to look at the restricted parent funding organization to determine allowable reimbursements. In addition, the Department Administrator will work with the department accounting team and HSC Contract and Grant Accounting to revise the final financial reports issued to the respective agencies by December 20, 2019.*

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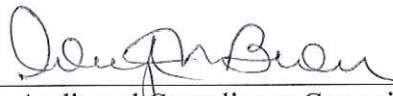
## APPROVALS



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Victor Griego, CPA  
Interim Director, Internal Audit Department

Approved for Publication



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Chair, Audit and Compliance Committee