

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



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SUMMARY OF: A Special Report on the University of Alaska, Unit Cost Analysis and Other Selected Issues, Part 2, November 15, 2005.

### PURPOSE OF THE REPORT

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted a performance audit of the University of Alaska (UA) faculty and staff travel using fiscal year 2004 travel financial data. There were two main objectives of this audit, identified as University of Alaska, Unit Cost Analysis and Other Selected Issues, Part 2. The first objective was to review and evaluate travel by UA faculty and staff. Specifically, we were asked to determine if travel was necessary, or if the travel objectives could have been otherwise accomplished, through the use of audio/video conferencing technologies. The second objective was to determine whether travel arrangements had been made with an eye toward controlling costs.

University of Alaska, Unit Cost Analysis and Other Selected Issues, Part 1, issued in August 2005, presented the unit cost analysis and addressed other issues regarding housing and prior audit findings and recommendations. Part 3, which will be issued in the future, will address whether UA is maximizing the use of distance education technologies.

### REPORT CONCLUSIONS

We concluded the following:

- No significant opportunities found to avoid University travel through increased use of audio or video conferencing technologies.
- With additional planning and advance airfare purchases, UA has an opportunity to recognize further cost savings.
- An in-depth travel cost analysis can not be easily performed because UA's financial software does not have a dedicated data field that is utilized to associate every travel transaction with a travel authorization number or a traveler's name.

- Travel reimbursements are generally accurate; however, a considerable number of travel authorizations and travel expense reports are not properly completed, nor adequately reviewed. Therefore, UA travel policies and procedures are not being followed; travelers are being under- and over-paid for travel reimbursements; and the accountability by travelers, supervisors, and reviewers may not always be at the highest level possible.

#### FINDINGS AND RECOMMENDATIONS

1. UA's controller should update, clarify, and enforce its travel policies and procedures to ensure that the highest level of accountability is achieved.

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January 12, 2006

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

### UNIVERSITY OF ALASKA UNIT COST ANALYSIS AND OTHER SELECTED ISSUES

Part 2

November 15, 2005

45-30033B-06

The objectives of this report, identified as Part 2, were to determine if University of Alaska (UA) faculty and staff travel was necessary, or if the travel objectives could have been otherwise accomplished through the use of audio/video conferencing technologies, and whether travel arrangements had been made with an eye toward controlling costs.

Part 1, issued in August 2005, presented the unit cost analysis and addressed other selected issues regarding housing and prior audit findings and recommendations. Part 3, which will be issued in the future, will address whether UA is maximizing the use of distance education technologies.

The audit was conducted in accordance with generally accepted government audit standards. Fieldwork procedures utilized in the course of developing the findings and discussion presented in this report are discussed in the Objectives, Scope, and Methodology.

A handwritten signature in black ink that reads "Pat Davidson".

Pat Davidson, CPA  
Legislative Auditor

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# OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Title 24 of the Alaska Statutes and a special request by the Legislative Budget and Audit Committee, we conducted a performance audit of the University of Alaska (UA) faculty and staff travel using fiscal year 2004 travel financial data.

## Objectives

There were two main objectives of this audit, identified as University of Alaska, Unit Cost Analysis and Other Selected Issues, Part 2. The first objective was to review and evaluate travel by UA faculty and staff. Specifically, we were asked to determine if travel was necessary or if the travel objectives could have been, otherwise, accomplished through the use of audio/video conferencing technologies. The second objective was to determine whether travel arrangements had been made with an eye toward controlling costs.

University of Alaska, Unit Cost Analysis and Other Selected Issues, Part 1, issued in August 2005, presented the unit cost analysis and addressed other issues regarding housing and prior audit findings and recommendations. Part 3, which will be issued in the future, will address whether UA is maximizing the use of distance education technologies.

## Scope and Methodology

We reviewed UA travel regulations, policies and procedures, travel documents, and financial records. We also conducted interviews with UA officials, faculty members, and staff.

We examined the FY 03 and FY 04 financial statement audit of the University and the associated working papers kept by the University's external financial auditor.

We analyzed travel transactions from UA's financial information system (BANNER) for fiscal year 2004. Although UA incurred \$16.2 million in travel expenditures during FY 04, we intentionally excluded some expenditures not subject to savings through the use of audio and video conferencing. Examples of the type of expenditures excluded would be the travel associated with employee relocation or mileage for the use of personal vehicles. Our adjusted travel expenditures totaled \$13.8 million. The methodology for testing transactions is twofold:

1. We tested 52 significant travel transactions and purchase orders, separately, for accuracy and reasonableness. These items, primarily large dollar transactions, totaled nearly \$353 thousand and are not included in the items subject to sampling.

2. We sampled<sup>1</sup> from the remaining \$13.45 million travel expenditures. Our sampling methodology, based upon the professional standards of the American Institute of Certified Public Accountants, allows for projecting the results of the sample to the total of \$13.45 million travel expenditures, from which the sample was selected. We randomly selected 234 transactions, reviewed the related travel authorization and expense report, if applicable, and determined if the associated airfare was reasonable if applicable.

To determine if audio or video conferencing technologies could have been substituted for trips taken, we reviewed 228 trips associated with the transactions selected in the random sample identified above.

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<sup>1</sup> Sampling involves examining less than the entire body of data to express a conclusion about the entire body of data. All audit sampling involves judgment in planning and performing the sampling procedures and evaluating the results of the sample.

## ORGANIZATION AND FUNCTION

The University of Alaska (UA) was established by the Alaska Constitution, Article VII, Section 2, and by Alaska Statute 14.40 as the state university. The Board of Regents, appointed by the governor, serves as the governing body.

There are three regional university centers in the UA system: University of Alaska Fairbanks (UAF), University of Alaska Anchorage (UAA), and University of Alaska Southeast (UAS). A chancellor who reports to the president heads each university center. In 1986, community colleges were merged into the UA system. The regional university centers assumed responsibility for the educational missions of the community colleges.

The following are the regional university centers with their respective extended (small) campuses:

- UAF main campus located in Fairbanks
  - ✓ Bristol Bay Campus located in Dillingham
  - ✓ Center for Distance Education located in Fairbanks
  - ✓ Chukchi Campus located in Kotzebue
  - ✓ Interior-Aleutians Campus located in Fairbanks and administers rural centers in Fort Yukon, Galena, McGrath, Tok, and Unalaska
  - ✓ Kuskokwim Campus located in Bethel
  - ✓ Northwest Campus located in Nome
  - ✓ Tanana Valley Campus located in Fairbanks
  
- UAA main campus located in Anchorage
  - ✓ Kenai Peninsula College located on the Kenai Peninsula
  - ✓ Kodiak College located on Kodiak Island
  - ✓ Matanuska-Susitna College located in the Matanuska-Susitna Valley
  - ✓ Prince William Sound Community College located in Valdez
  - ✓ Military Programs
  
- UAS main campus located in Juneau
  - ✓ Ketchikan Campus located in Ketchikan
  - ✓ Sitka Campus located in Sitka

Additionally, Statewide Programs and Services Unit (Statewide) provides coordination among campuses; Board of Regents support; and overall administrative management.

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## **BACKGROUND INFORMATION**

The objectives of this audit report were to determine if University of Alaska's (UA) faculty and staff travel was necessary, or could the travel objectives have been otherwise accomplished through the use of audio/video conferencing technologies, and whether travel arrangements had been made with an eye toward controlling costs.

UA travel policies and procedures are established by UA Board of Regents Policy and Regulation 05.02.06. Additional guidelines regarding UA travel polices, procedures, and forms are disseminated through the main campuses websites. Exhibit 1 contains select relevant excerpts from the travel regulation.

Exhibit 1

<b>UA Travel Regulation Excerpts</b>
<p><i>Travel Authorization Form (TA) – the official approval form designated for documentation of federal income tax, internal reporting requirements, encumbrance of funds, and approval of travel and related advances.</i></p>
<p><i>Travel Expense Report (TER) – the official documentation by the traveler that he or she has properly accounted for and reported the cost of authorized travel.</i></p>
<p><i>Travel routing must be by the most direct and efficient mode available. Any extra expenses resulting from travel... will be borne by the traveler...</i></p>
<p><i>Travelers must utilize the most economical transportation available...</i></p>
<p><i>A Travel Authorization form must be completed and approved by the appropriate individuals before any financial commitment of university travel begins, regardless of the source of payment (corporate travel card, TR, or personal funds) or the source of reimbursement (departmental funds, grants, or third party reimbursements).</i></p>
<p><i>The business purpose or reason for travel must be clearly explained.</i></p>
<p><i>Travel expenses shall be reimbursed only upon completion of a properly approved Travel Expense Report which is signed by the individual requesting reimbursement.</i></p>
<p><i>A Travel Expense Report is required for all travel conducted under a Travel Authorization Form, including travel for which all expenses are paid directly by the university...</i></p>
<p><i>The Travel Expense Report must be signed by the claimant...</i></p>
<p><i>The Travel Expense Report must be approved by the claimant's supervisor...</i></p>
<p><i>Personal travel routing and leave time during the period of travel must be clearly noted on the expense report.</i></p>

Travel Authorizations (TA) and Travel Expense Reports (TER) should be accurately completed by the traveler then submitted for review and approval by the traveler's supervisor(s), to ensure propriety of and compliance with policies. Further, the TAs and TERs should also be reviewed by departmental staff to confirm conformance with policies, procedures, and the proper encumbrance of funds. Finally the travel office or accounts payable staff, responsible for processing expense reports for payment, should conduct a final review to ensure travel documents have been properly and accurately completed.

The University of Alaska Fairbanks (UAF) main campus travel office is responsible for reviewing not only UAF's travel but also the travel documents of its extended campus sites. University of Alaska Anchorage (UAA) and University of Alaska Southeast (UAS) main campuses only review their respective travel documents; the travel documents of their extended campus sites are reviewed and processed at the respective sites. The Statewide administrative office (Statewide) also reviews and processes its own travel documents.

UA travel expenditures for FY 04 totaled approximately \$16.2 million.

# REPORT CONCLUSIONS

While Travel Authorizations (TA) and Travel Expense Reports (TER) were reviewed by each discrete main campus, including Statewide administrative offices, the findings were common to all. Therefore, the following conclusions apply to all campuses.

No significant opportunities found to avoid University travel through increased use of audio or video conferencing technologies.

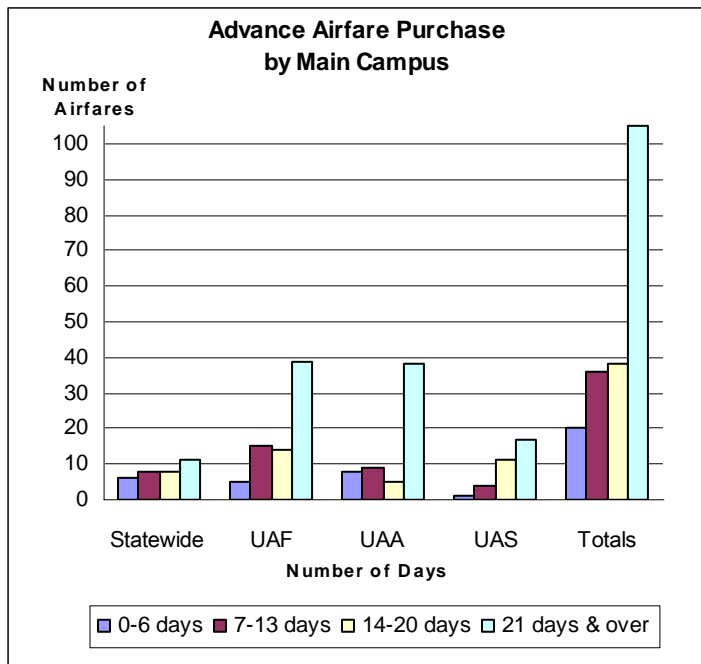
University of Alaska (UA) staff was generally able to provide adequate justification for the trips reviewed and why audio or video conferencing was not feasible. Additionally, most UA staff is knowledgeable and aware of the availability of video conferencing as an alternative to travel. UA has done a good job in utilizing video technologies in these last couple of years and has made it a point to utilize video conferencing when applicable. For example, UA tries to rotate between face-to-face meetings and video conference meetings for regular scheduled meetings. See Attachment A for a list of UA video conferencing equipment locations.

With additional planning and advance airfare purchases, the University has an opportunity to recognize further cost savings.

Nearly 30% of the airfares reviewed were purchased less than 14 days in advance of the trip. To put this in perspective, prior to implementation of the state’s travel office, state travel had been purchased at the highest cost (full coach) airfare 44%<sup>2</sup> of the time. The industry standard for businesses for full coach fare is about 10% of the time. Of the 227 UA airfares reviewed, potential savings may have been realized with minimum 14-day advance purchases.

Eliminating certain airfares, such as small commuter airfares,<sup>3</sup> Exhibit 2 shows the number of advance airfare purchases by main campus with a totals column.<sup>4</sup>

Exhibit 2



<sup>2</sup> Provided by Alaska Airlines.

<sup>3</sup> Typically with small commuter companies, airfares do not fluctuate between advance purchase dates.

<sup>4</sup> Less small commuter airfares, 72% airfares were purchased 14 days and over.

Although there are exceptions, travelers usually know in advance beyond 14 days what their potential travel plans are going to be. Conferences and trainings are usually scheduled months in advance; thus, travelers could take advantage of purchasing airfares 14 or more days in advance. Testing showed not a lot of differences between a 14-day and a 21-day advance airfare purchase for in-state travel; however, out-of-state best airfares usually occurred with greater than 14 days notice. (See Recommendation No. 1)

UA's financial software does not have a dedicated data field that is utilized to associate every travel transaction with a TA number or a traveler's name.

UA staff cannot readily identify the number of trips made in a year, the total cost of individual trips, the dollar amount spent on airfares or lodging, or associate a TA number or a traveler's name for many travel transactions in its financial system. Consequently, very little in-depth cost analysis can be easily performed. (See Recommendation No. 1)

Travel reimbursements are generally accurate, however, a considerable number of TAs and TERs are not properly completed nor adequately reviewed.

Of the TERs examined, approximately \$875 was overpaid to travelers mostly due to improperly filled out forms, inaccurate calculations, and inadequate reviews. The projected TER errors totaled approximately \$67,500 which is about one-half percent of the \$13.4 million in the testing total. Although the total overpayments appear to be low, travel forms are not being completed and reviewed per UA guidelines. The following are some examples of issues noted during testing of travel transactions.

- TAs and TERs not always signed or dated

Travelers and approvers are not always signing or dating TAs (27%) and TERs (18%) attesting to the accuracy of the information they are providing and reviewing in a timely manner.

- TERs often do not accurately reflect the entire cost of the trips

UA's travel regulation states that a TER is *the official documentation by the traveler that he or she has properly accounted for and reported the cost of authorized travel*. Per UA Controller's office travel procedures, the *signature on [the] TER signifies that [the] traveler has accurately reported expenses, and that [the] supervisor has reviewed and does approve those expenses*. Additionally, since UA's financial software does not require a TA number and a traveler's name to be associated with every travel transactions processed through its financial system, the TER document is then the only means that would capture the traveler's entire trip costs. Thus, the TER would be the only document to help analyze the trip costs.

Approximately one-half of the TERs reviewed, did not accurately capture the entire cost of the trip on the documents. Often lodging, airfares, or registration fees directly paid by UA were not listed on the expense reports. Repeatedly, there were no explanations on the TER whether lodging was incurred in the trip or why lower or no per diem was paid to the traveler. Since TERs may not always reflect the entire cost of the trips, it is possible supervisors may not always have complete travel information for analyzing and controlling travel costs.

- In a few instances TERs not filed for trips and TAs used for multiple trips or travelers

No TERs were filed for six trips because travelers did not incur any out-of-pocket expenses; if there were no expenses reimbursable to the traveler, staff did not believe completing a TER was necessary. Not including travel groups, testing also showed eight TAs were utilized for more than one trip or for more than one traveler. Essentially, if a TA or a TER is not filed for a trip there is no authorization or review of the traveler's trip.

- Assessment of potential costs associated with travelers personal time or personal side trips in UA trips are not adequately documented

UA travel regulations state that “*personal travel routing and leave time during the period of travel must be clearly noted on the expense report.*” Regulations also state “*any extra expenses resulting from travel by an indirect route or less efficient mode for the traveler's convenience will be borne by the traveler.*” UA has a procedure in place for which the traveler is to provide a trip comparison regarding added personal leave or personal side trips in UA business trips. However, in the travel documents reviewed the use of personal time and side trips were not adequately documented.

Of the 26 trips that were identified as having added personal time or personal side trips in the UA trip, 23 trips did not have any assessment documentation to determine if any additional costs should be borne by the traveler. In fact, the travelers did not even note on their TER that personal time or a side trip was involved in the UA trip. Although one traveler provided a trip comparison, it appeared no one questioned whether the comparable fare was in the best interest to UA. Four UA trips that involved added personal time or a side trip by the traveler were identified as trips that resulted in estimated additional airfare costs of approximately \$760 to UA. (See Recommendation No. 1)

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# FINDINGS AND RECOMMENDATIONS

## Recommendation No. 1

University of Alaska's (UA's) controller should update, clarify, and enforce its travel policies and procedures to ensure that the highest level of accountability is achieved.

Travelers, supervisors, and reviewers are not properly and accurately completing and reviewing travel documents. Therefore, UA travel policies and procedures are not being followed; travelers are being under- and over-paid for travel reimbursements; and the accountability by travelers, supervisors, and reviewers may not always be at the highest level possible.

The following are some examples arising from outdated travel policies and procedures that either do not reflect current technological changes or address reviewing and reporting issues.

- Although we did not find any trips reviewed that could have been avoided through the use of audio/video conferencing technologies, there appeared to be no analysis on the Travel Authorization (TA) forms as to whether audio/video conferencing was considered. In fact, over 75% of 228 trips reviewed had inadequate information on or with the travel documents to determine whether the trips were necessary or could have been avoided through the use of audio/video conferencing technologies.
- Accounting for the traveler's entire trip cost on the Travel Expense Report (TER) is not always enforced. Approximately one-half of the 222 TERs reviewed, did not properly capture the entire cost of trips. Additionally, six expense reports were not filed at all. In essence, management may not know the true cost of trips when expense reports do not accurately reflect the expenses incurred in the trips or if reports are not filed.
- Travel regulations state that "*travelers must utilize the most economical transportation available.*" However, UA provides no guidance as to whether an advance airfare (either 14 or 21 days) should be considered or required in certain circumstances. Testing showed that UA may have realized potential cost savings of approximately \$5,600 on 19 trips if, at a minimum, airfares were purchased 14 days in advance.
- Travelers are incorporating personal time or side trips in UA business trips. Testing showed 23 trips did not have any assessment documentation to determine if any additional costs were incurred for the personal time or side trip.
- The use of some purchase orders to secure lodging, airfares, and the like for travelers, no longer provide a costs savings to UA. Additionally, travel expenses paid by purchase orders and UA credit cards are often not captured on expense reports.

- Some staff reviewing TERs seems uninformed that they have the authority to hold travelers accountable to ensure UA travel policies and procedures are enforced but also are responsible for keeping an eye on controlling travel costs.

Travel policies, procedures, and forms should not only be updated to clarify and reflect current travel issues but also to help travelers, supervisors, and reviewers maintain the highest level of accountability possible.



# APPENDIX

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## Appendix A

### UA Video Conferencing Equipment Locations

As of June 30, 2005

(Unaudited)

Location	Building	Room
Statewide-Fairbanks	Butrovich Building	102C
Statewide-Fairbanks	Butrovich Building	103D
Statewide-Fairbanks	Butrovich Building	102
Statewide-Fairbanks	Butrovich Building	202
Statewide-Fairbanks	Butrovich Building	101D
Statewide-Fairbanks	Butrovich Building	102
Statewide-Fairbanks	Butrovich Building	101B
Statewide-Fairbanks	Butrovich Building	212B
Statewide-Fairbanks	Butrovich Building	207E
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	Portable
Statewide-Fairbanks	Butrovich Building	13
Statewide-Fairbanks	Butrovich Building	13
Statewide-Anchorage	University Lake Bldg	102
Statewide-Anchorage	University Lake Bldg	102
Statewide-Anchorage	University Lake Bldg	101
Statewide-Anchorage	University Lake Bldg	101
UAA	AV Services – AV Cart 3	Portable
UAA	Professional Studies Bldg	218
UAA	Gordon Hartlieb Building	103
UAA	Allied Health Sciences	219
UAA	Gordon Hartlieb Building	101D
UAA	University Center	101A
UAA	Allied Health Sciences	151
UAA	Social Sciences Building	120
UAA	Allied Health Sciences	152
UAA	Professional Studies Bldg	K122A
UAA	Professional Studies Bldg	K136
UAA	Professional Studies Bldg	K122B
UAA	Professional Studies Bldg	K213
UAA	Professional Studies Bldg	K
UAA	Admin/Humanities Bldg	227G
UAA	AV Services – AV Cart 1	Portable
UAA	AV Services – AV Cart 2	Portable
UAA	Business Education Bldg	117

**Appendix A**  
**(Continued)**

**UA Video Conferencing Equipment Locations**  
**As of June 30, 2005**  
**(Unaudited)**

<b>Location</b>	<b>Building</b>	<b>Room</b>
UAA	Social Sciences Building	120
UAA	Business Education Bldg	301C
UAA	Admin/Humanities Bldg	
UAA	Diplomacy Building	402
UAA	Professional Studies Bldg	218
UAA	Engineering Bldg	342
UAA	Social Sciences Building	120
UAA	Social Sciences Building	Portable
UAA	Social Sciences Building	123B
UAA	Social Sciences Building	120
UAA	Admin/Humanities Bldg	217
UAA	Professional Studies Bldg	119
UAA	Admin/Humanities Bldg	238
UAA	University Center	
UAA	Professional Studies Bldg	146
UAA	Gordon Hartlieb Building	105
UAA	Social Sciences Building	120
UAA	Admin/Humanities Bldg	204
UAA	Admin/Humanities Bldg	214
UAA	Social Sciences Building	Portable
UAA	Social Sciences Building	120
UAA	Library	301
UAA	Allied Health Sciences	217
UAA	Admin/Humanities Bldg	226
UAA	Professional Studies Bldg	146
UAA	University Center	150
UAA	Eagle River	Portable
UAA/Homer	East Campus	118
UAA/Homer	East Campus	Portable
UAA/Homer	East Campus	Portable
UAA/Kenai	Ward Building	128
UAA/Kenai	Ward Building	110
UAA/Kenai	TBA	
UAA/Kenai	Brockel Building	127A
UAA/Kenai	Goodrich Building	112A
UAA/Kodiak	TBA	
UAA/Kodiak	Benny Benson Building	112
UAA/Kodiak	Benny Benson Building	
UAA/Kodiak	Campus Center	108
UAA/MatSu	Jalmar Kerttula Bldg	111
UAA/MatSu	Jalmar Kerttula Bldg	101
UAA/MatSu	Snodgrass Hall	SG122

**Appendix A**  
**(Continued)**

**UA Video Conferencing Equipment Locations**  
**As of June 30, 2005**  
**(Unaudited)**

<b>Location</b>	<b>Building</b>	<b>Room</b>
UAA/Valdez	PWSCC Admin	101
UAA/Valdez	PWSCC Admin	109
UAA/Valdez	PWSCC Admin	133b
UAF	Rasmuson Library	382
UAF	Wood Center	4
UAF	University Park Building	120
UAF	Rasmuson Library	310
UAF	Tanana Valley Campus Ctr	205d
UAF	Harper Building	118d
UAF	O'Neill Building	183
UAF	O'Neill Building	114
UAF	O'Neill Building	138
UAF	Gruening Building	701c
UAF	Fine Arts	201a
UAF	O'Neill Building	129
UAF	Rasmuson Library	343
UAF	Rasmuson Library	382
UAF	Signers' Hall	310
UAF	Bunnell Building	233
UAF	Center for Dist Ed	130
UAF	Institute of Arctic Biology	311c
UAF	Bunnell Building	237
UAF	Bunnell Building	231
UAF	Rasmuson Library	333
UAF	Tanana Valley Campus Ctr	216
UAF	Tanana Valley Campus Ctr	Portable
UAF	Brooks Building	108
UAF	University Park Building	120
UAF	Harper Building	102
UAF	Denali Building	208
UAF	Denali Building	214
UAF/Bethel	Maggie Lind Building	135
UAF/Bethel	Maggie Lind Building	147
UAF/Bethel	Maggie Lind Building	146
UAF/Bethel	Maggie Lind Building	135
UAF/Dillingham	Wood Center	Portable
UAF/Juneau	Anderson Building	224
UAF/Kodiak	Fishery Tech Center	225
UAF/Kodiak	Fishery Tech Center	223
UAF/Nome	Main	Portable
UAF/Nome	Nagozruk	100
UAF/Nome	Seppala Building	Portable
UAF/Kotzebue	Building 101	112

**Appendix A**  
**(Continued)**

**UA Video Conferencing Equipment Locations**  
**As of June 30, 2005**  
**(Unaudited)**

<b>Location</b>	<b>Building</b>	<b>Room</b>
UAF/Seward	Ray Building	101
UAS	Hendrickson Annex	101d
UAS	Anderson Fisheries	221
UAS	Egan Library	Portable
UAS	Bill Ray Center	110
UAS	Whitehead Building	203
UAS	Bill Ray Center	130b
UAS	Soboleff Annex	101e
UAS	Bill Ray Center	201
UAS	Novatney Building	Portable
UAS	Soboleff Annex	
UAS	Whitehead Building	201
UAS	Egan Library	103d
UAS	Whitehead Building	205
UAS	Egan Library	211
UAS	Bill Ray Center	153
UAS	Egan Library – Help Desk	103
UAS	Egan Library – Help Desk	103
UAS/Ketchikan	Ziegler Building	Portable
UAS/Ketchikan	Robertson/Hamilton Tech Ed Ctr	R111
UAS/Ketchikan	Main Campus	Portable
UAS/Sitka	Directors Office	201a
UAS/Sitka	Main Campus	105-215
UAS/Sitka	Main Campus	Portable
UAS/Sitka	Main Campus	205a
UAS/Sitka	Sitka Campus	212



UNIVERSITY  
*of* ALASKA  
*Many Traditions One Alaska*

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LEGISLATIVE AUDIT

February 17, 2006

Pat Davidson  
Legislative Auditor  
Division of Legislative Audit  
P.O. Box 113300  
Juneau, AK 99811-3300

Dear Ms. Davidson:

This letter is in response to your January 30, 2006 request for comments on the preliminary audit report titled "University of Alaska, Unit Cost Analysis and Other Selected Issues, Part 2, November 15, 2005." We appreciate the effort and professionalism of the work done by you and your staff. To be complete, this letter will comment on each of the conclusions reached in the report, as well as each of the observations contained in the recommendation.

**Report Conclusions**

*No significant opportunities found to avoid University travel through increased use of audio or video conferencing technologies.*

We agree with the conclusion and we will continue to seek opportunities to further utilize audio and video technologies as an alternative to travel.

*With additional planning and advance airfare purchases, the University has an opportunity to recognize further cost savings.*

We agree that cost savings are usually available with advance airfare purchases. UA travel regulations state that "travelers must utilize the most economical transportation available", which is commonly understood to mean that airfare purchases should be made in the timeframe that provides the best rate. Unfortunately, travel is not always predictable two or three weeks in advance. Data from this audit indicated that more than 70% of University airfare purchases reviewed were made 14 or more days in advance of travel, which is an indication that most travelers are aware of the of the potential benefits of advance airfare purchases.

*UA's financial software does not have a dedicated data field that is utilized to associate every travel transaction with a TA number or a traveler's name.*

We agree with the conclusion. The Banner software does not include a travel management module. While we believe travel costs are adequately documented and accurately recorded by travel object code, we do not have an automated travel management system in place to allow us to easily analyze our travel expenditures by traveler and type of travel cost incurred. We are actively pursuing electronic solutions that will allow us to capture detailed travel information and proactively manage travel costs.

*Travel reimbursements are generally accurate, however, a considerable number of TAs and TERs are not completed nor adequately reviewed.*

We agree that travel reimbursements are generally accurate. While a considerable number of TAs and TERs were not completed nor adequately reviewed **to the auditor's expectations**, we believe the types of errors cited had little impact on whether travel reimbursements were generally accurate. Our internal travel audit function prior to reimbursement is focused on reimbursing only for valid business costs.

The primary purpose of the travel expense report (TER) is to document travel costs and to calculate and document all reimbursable costs associated with a trip. It is not recognized as a managerial tool for reporting all costs of a trip. The Travel Authorization (TA) form is meant to estimate the total costs of a trip so the supervisor can know the total expected cost of the authorized trip in advance. The TER is meant to record the total **travel** costs of the trip plus any other expenses associated with the trip that need to be reimbursed to the traveler. Those other costs (like conference registrations) are ultimately charged to contractual object codes rather than travel object codes. UA is currently making changes to travel regulation and documentation processes to clarify this understanding and improve travel reimbursement and cost tracking capabilities.

TERs are processed manually and some travel costs are based on calculations rather than actual receipts, both of which increase the rate of errors. In the auditors' sample of TERs tested, the single most common error was related to per diem calculations. The planned improvements to the university's regulation and travel documentation process should significantly reduce these types of errors.

The largest error in the sample was for an airfare reimbursement of \$410 that was purchased on a travel request form (TR). Since the use of TRs is small (and declining), they are not reflective of the population of travel purchases at the same rate as the selected sample. In other words, it would not be accurate to conclude that 1 out of every 222 TERs (sample size) contained this type of improper reimbursement. Assuming the reliability of the projection is reasonable, the extrapolation to the testing universe would be lower than the .5% stated.

The first sentence in the conclusion comments states that \$875 was overpaid due to inadequate receipts and miscalculation of reimbursements. The table on the next page lists the reason for reimbursement errors, of which only \$8 might be described as



inadequate receipts. The remainder consists of miscalculations or other errors. Lack of adequate receipts would normally result in underpayment of reimbursements.

***Reasons for Reimbursement Errors***

<b><i>Error Type</i></b>	<b><i># of Errors</i></b>	<b><i>Amount</i></b>
<i>Airfare reimbursement</i>	2	410.25
<i>Cash advance reimbursement</i>	2	8.65
<i>Column miscalculation</i>	3	12.06
<i>Exchange rate miscalculation</i>	1	38.82
<i>Lodging discrepancy</i>	4	40.69
<i>Mileage reimbursement</i>	1	10.42
<i>No explanation or documentation for reimbursement</i>	1	8.00
<i>Per diem miscalculation</i>	15	279.78
<i>Rental car reimbursement</i>	1	56.32
<i>Travel advance miscalculation</i>	1	10.00
<b><i>Total:</i></b>		<b>874.99</b>

- *TAs and TERs not always signed or dated*

We agree that documents should be signed and dated, even though our current policy does not explicitly call for dating signatures. We are currently revising our travel regulations and that enhancement will be made.

- *TERs do not accurately reflect the entire cost of the trips*

We agree that all costs associated with trips are not always reflected on TERs. Clarification will be made in revisions to the travel regulations to set appropriate expectations. However, expenditures were properly recorded in our financial accounting system even if they were not completely reflected on an expense report. The report states that registration fees were not listed on expense reports. Registration fees are noted on the TA for authorization purposes and are included in the contractual services classification of accounts rather than travel. As noted previously, the registration fees would only appear on the TER if they were being reimbursed to the traveler. The report also comments on the lack of documentation when per diem was reimbursed at an amount less than the employee was authorized to claim. University travel regulations do not require travelers to document why they claim less than allowable per diem, and we generally don't go back to employees and ask them to claim more costs. We will evaluate the need for such documentation as we work on improving our travel processes.

- *In a few instances TERs not filed for trips and TAs used for multiple trips or travelers*

We agree with the conclusion and we will work on further training for both travelers and travel processors. Instructions provided by the Statewide Financial Systems Office state that "An expense report must be completed for all university travel, even if the employee did not incur any reimbursable expenses. The TA that encumbered the travel will remain outstanding until an expense report is completed." The TA preparer should check periodically for outstanding encumbrances and follow-up with the travelers. The instructions further state "Travel expense reports are to be filed with the travel office within 15 work days of completion of travel". This identifies the traveler as responsible for submitting the TER.

- *Assessment of potential costs associated with travelers personal time or personal side trips in UA trips are not adequately documented*

We agree that improvements are needed in documenting any personal portion of university related travel. We will reinforce that expectation in the travel regulations and bolster the documentation requirements for every trip involving any deviation from direct routing.

#### FINDINGS AND RECOMMENDATIONS

##### Recommendation No.1

University of Alaska's (UA's) controller should update, clarify, and enforce its travel policies and procedures to ensure that the highest level of accountability is achieved

We agree with this recommendation and we are currently revising our travel regulations and exploring the best solution for an automated travel management system. An automated travel management system will improve UA's travel documentation and reporting capabilities and reduce the error rate inherent in the current manual process. Revisions to travel regulations will heighten traveler accountability through improved awareness of expectations.

- *Although we did not find any trips reviewed that could have been avoided through the use of audio/video conferencing technologies, there appeared to be no analysis on the travel authorization (TA) forms as to whether audio/video conferencing was considered. In fact, over 75% of 228 trips reviewed had inadequate information on or with the travel documents to determine whether the trips were necessary or could have been avoided through the use of audio/video conferencing technologies.*

We agree that current travel forms do not contain a statement that travel could not have been avoided through the use of audio/video. This issue will be addressed in our efforts to improve the travel documentation process.

- *Accounting for the traveler's entire trip cost on the Travel Expense Report (TER) is not always enforced. Approximately one-half of the 222 TERs reviewed, did not properly capture the entire cost of trips. Additionally, six expense reports were not filed at all. In essence, management does not know the true cost of trips when expense reports do not accurately reflect the expenses incurred in the trips or if reports are not filed.*

We agree that many TERs did not contain the total cost of trips. Some employees misinterpreted the travel regulations believing that they were only required to include on the TER those expenses necessary for calculating the amount for reimbursement. Failure to include all costs on TERs is a procedural problem that does not indicate a lack of accountability. We acknowledge that our current system makes it difficult to analyze travel information.

- *Travel regulations state that "travelers must utilize the most economical transportation available." However, UA provides no guidance as to whether an advance airfare (either 14 or 21 days) should be considered or required. Testing showed that UA could have realized potential cost savings of approximately \$5,600 on 19 trips if, at a minimum, airfares were purchased 14 days in advance.*

We agree that increased advance purchases of travel can result in cost savings and we will encourage travelers to make advance purchases when possible. A change of regulation that requires travelers to book greater than 14 days in advance is not feasible; frequently, it is not within the travelers control to make advance airfare purchases. The observation that 72% of airfares tested showed that travelers booked greater than 14 days in advance indicates that there is an effort to book travel with an eye toward cost savings, even without a specified requirement in regulation.

- *Travelers are incorporating personal time or side trips in UA business trips. Testing showed 23 trips did not have any assessment documentation to determine if any additional costs were incurred for the personal time or side trip.*

We agree that improvements in documentation are needed. However, little documentation does not mean that an evaluation was not conducted. In actual practice, we believe we are very sensitive to reimbursing only legitimate university costs, but we acknowledge a lack of consistent documentation.

- *The use of some purchase orders to secure lodging, airfares, and the like for travelers, no longer provide a costs savings to UA. Additionally, travel expenses paid by purchase orders and UA credit cards are often not captured on expense reports.*

We agree that some purchase orders do not provide cost savings to UA. However, UA can recognize cost savings through municipal tax exemption when purchase orders are used for lodging. We also agree that TERs should contain travel expenses paid by

purchase orders and UA credit cards. Failure to include these costs was most likely a result of the misunderstanding by some employees that TERs were used exclusively for reimbursable expenses. Procedures will be modified to ensure all travel costs are captured on the TER.

- *Some staff reviewing TERs seems uninformed that they have the authority to hold travelers accountable to ensure UA travel policies and procedures are enforced but also are responsible for keeping an eye on controlling travel costs.*


We agree that some staff may be confused, but we believe our requirements are clear. Any person conducting travel at UA's expense is accountable to UA travel policies and regulations. Those travel regulations and policies are what our travel processors are relying on to determine whether or not expenditures are allowable. While we don't believe this comment is indicative of the travel environment in UA, we will reiterate this expectation in revisions to our travel regulations.

\* \* \* \*

In closing, UA values the benefits provided to the institution and the state by having the ability to travel. Accordingly, we take the need to be accountable for the expenditure of our travel dollars very seriously. We acknowledge that our travel management system is manual and relies heavily on human review and judgment. We also acknowledge that our documentation needs to be improved in certain areas. We are currently revising our travel regulations to make them more descriptive, to update them for technological advances in travel, and to make documentation requirements more clear. We are also investigating travel management systems and our ability to implement a system that will enhance our travel processing efficiency and travel management practices.

Again, thank you for the opportunity to provide comment. Please contact Dave Read at 450-8094 if you have any questions or need to clarify anything in this response.

Sincerely,



Mark R. Hamilton  
President