

**UNIVERSITY PRESIDENT'S TRAVEL, ENTERTAINMENT,
AND OTHER EXPENSES**

THE UNIVERSITY OF NEW MEXICO

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ABBREVIATIONS

University.....	The University of New Mexico
Audit Committee.....	Board of Regents' Audit Committee
I&G	Instruction and General

EXECUTIVE SUMMARY

At the request of the University of New Mexico's (University) Board of Regents' Audit Committee (Audit Committee) and in accordance with the Internal Audit provision of the University President's employment agreement, the Internal Audit Department conducted an audit of the University President's, travel and entertainment expenses for the period July 1, 2010 through September 30, 2011. The Audit Committee also requested a review of practices and policies set by our peer and other institutions for their University Presidents' travel, entertainment and other expenses. The information gained in the review may be useful when setting policies and practices for the President of the University of New Mexico.

PRACTICES AND POLICIES FOR UNIVERSITY PRESIDENT TRAVEL, ENTERTAINMENT, AND OTHER EXPENSES

Internal Audit researched the expense policies for the University Presidents of other universities, including four of our peer institutions and three large in-state universities. Examples of the policies and practices related to the University President's travel, entertainment, and other expenses at those institutions are detailed below.

CONCLUSION

In the audit of the President's travel and entertainment expenses, the Internal Audit Department found the expenses are reasonable, allowable, and in accordance with the University Board of Regents' Policy Manual, the University Business Policies and Procedures Manual, and the President's employment agreement. Provided herein are a list of example policies for University Presidents' travel, entertainment and other expenses and practices used by the institutions Internal Audit researched. The Board of Regents may consider adopting some of the policies and practices of other institutions at the University of New Mexico.

INTRODUCTION

BACKGROUND

The University pays the reasonable cost of all official travel and entertainment expenses incurred by the President in the performance of his duties. These duties may include: hosting University events; attending seminars, educational conferences, conventions, and meetings of non-profit boards on which he/she may serve; other professional growth activities; and, other meetings to advance the interest of the University. The University encourages the President's spouse to accompany the President at events and to attend events separately as a representative of the University. The University also pays for the spouse's travel.

The President also has available a reasonable discretionary fund from private funds raised by the University of New Mexico Foundation for such miscellaneous expenses as retirement or recognition gifts, and purchases of tables sponsored by community organizations.

PURPOSE

- To determine if the President's travel and entertainment expenses are allowable and reasonable expenses in accordance with the University of New Mexico Board of Regents' Policies, University Business Policies and Procedures, and the University President's Employment Agreement.
- To determine practices of select institutions for the President's travel, entertainment and other expenses for examples of policies other institutions follow for these types of expenses.

SCOPE

The audit period is from July 1, 2010 through September 30, 2011.

- Review 100% of the travel and entertainment expenses incurred by the President and President's Spouse, and 100% of all expenses reimbursed.

Travel and Entertainment and Reimbursed Expenses for the Period July 1, 2010 through September 30, 2011			
Description	University President and Spouse	University Events, Business Meetings*	Total
Travel Expenses	\$14,823	--	\$14,823
Business Meals	\$190	\$23,538	\$23,728
Total Expenses	\$15,013	\$23,538	\$38,551

* The University Events and Business Meeting amounts include expenditures for food and beverages served at University-wide functions and receptions

hosted by the UNM president for new faculty, retirees, "Hanging of the Greens," honoring the Regents' scholars, football home and homecoming games, receptions for the Congressional delegates, University Strategic Planning and Advance meetings, Budget Committee meetings, executive team meetings, Interim Provost Search Committee meetings, etc.

- Review 100% of discretionary fund expenses of \$1,716 paid and reported by the University of New Mexico Foundation.
- Review practices and policies set by other institutions for University Presidents' expenses.

AUDIT PROCEDURES

- Review the University of New Mexico Board of Regents' Policies, University Business Policies and Procedures, and the President's Employment Agreement for "Entertainment and Travel Expenses" requirements.
- Review expenses to ensure expenses are authorized, approved, reasonable, allowable, charged to the correct account.
- Analyze all expense reimbursements paid to the President and/or the President's Spouse.
- Review all direct payments to vendors related to the President's/Spouse's travel and entertainment, such as airline tickets, hotels, catering services, etc.
- Review all charges to the department's purchasing cards for President's/Spouse's travel and entertainment related expenses, including the monthly reconciliation of the purchasing card transactions.
- Review the external auditors' work papers for FY10 & FY11, to determine if they audited such expenditures, their risk assessment for such disbursements, and their conclusions, if any.
- Survey select peer and other out-of-state and in-state Universities for their practices, rules, and limitations (if any) for Presidents' travel, entertainment, and other expenses.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

Practices and Policies for University President Travel, Entertainment, and Other Expenses,

The University President's employment agreement states that the Audit Committee will establish standards for the reasonableness of all of the President's expenses. Currently, the University President follows University Policy for reasonableness of his expenses; specific policies for the President have not been set. Internal Audit researched the expense policies for University Presidents of our peer and other institutions for the Audit Committees' consideration. Examples of policies and practices related to travel, entertainment, and other expenses at those institutions are detailed below.

Business Policies and Procedures

- The President's contract includes reimbursement for reasonable business expenses such as professional dues, meetings, business travel (including the reasonable travel and entertainment expenses of spouse), entertainment, and membership (University of Washington).
- The University of Texas system Board of Regents issued a specific, separate written rule and regulation to prescribe, clarify, and provide uniformity in the approval, review, and audit process for travel and entertainment expenses incurred by the Chancellor and Presidents, as well as for expenses for the maintenance of University residences.
- The University of California system has business policies and procedures regarding housing, travel, entertainment, gift, membership, and other expenses for the President and Chancellors, and expenses of the Associate (spouse or domestic partner) of the President/Chancellor.
- The University of Tennessee has issued a Fringe Benefits Guidebook for the President and his executive staff that covers the expense allowance, University-provided vehicle, entertainment, travel, spousal travel, University-provided housing, housing maintenance, and renovations, including housing allowance.
- The Texas Tech University System has issued operating policies and procedures specifically to detail practices for the President's travel to official functions and business meetings, as well as for entertainment expenses.
- The other New Mexico Institutions of higher education indicated that they do not have specific policies and procedures for these types of disbursements but they do comply with the institution's rules for travel, entertainment and allowable hospitality expenses. Any necessary entertainment or hospitality expenses that are not allowable with Instruction and General (I&G) funds are charged to the Foundation account.

Expense Reporting and Review

- The University of Washington's President's office provides a quarterly business expense report to the Internal Audit Department for review before those reports are sent to the Chair of the Board of Regents. The Chair of the Board of Regents

reviews the expenses for University-related events, and the reimbursement and payment of the President's business expenses on a quarterly basis.

- Annual reports for expenses of the President must be submitted by September 1st of each fiscal year (University of California).
- As per the University of Texas system rules and regulations, the Internal Audit Department audits the travel, entertainment expenses, and expenses for the maintenance of University residence.
- In accordance with the University of Utah's regulations, the internal auditor reviews payments and reimbursements to the President. The auditor summarizes the expenses and provides a periodic report to the Audit Committee in a format approved by the Committee. Furthermore, the Chair of the Board of Trustees receives a semi-annual report listing out-of-state travel expenditures. The Internal Audit Department audits the Presidential travel pursuant to the normal internal audit procedures.
- The University of Utah Board authorizes the use of all institutional discretionary funds, and all expenditures shall be in accordance with budgets approved by the institutional Board of Trustees. Either the residence auditors or the Board of Regents' audit staff will review each institution's report of actual sources and uses of institutional discretionary funds annually.
- The Texas Tech University system's Board of Regents, Chancellor and President are subject to an annual agreed-upon procedures report of credit card transactions, travel expenses, and charter flights.
- The other New Mexico Universities surveyed do not have an annual reporting requirement for the Presidents' expenses.

Travel and Entertainment

- The University of Washington President's expenses paid with state funds follow State and University travel and business expenditure policies. Expenses using discretionary funds may stray from the state policy but must comply with University policies.
- The University of California Business and Finance Bulletin indicated that the President's spouse, upon consultation with the Board of Regents, may be appointed as an Associate to reflect and recognize the contributions and services of those individuals who are called upon to serve as ambassadors for the University.
 - A Business and Finance Bulletin provides guidance on the taxability of such costs and benefits. Associates are expected to provide significant involvement in activities and accompany the President in settings and functions to enhance the University's relationships with students, alumni, faculty, staff, donors, public officials, etc.
- According to the University of Texas system, all expenditures for travel by a chief administrator or his or her spouse must be for a business purpose of the institution and must comply with all laws and policies. The Chair of the Board of Regents

must approve all foreign travel, excluding travel to Canada and Mexico, in advance. The President may designate the spouse of a chief administrative officer as a "Special Assistant" or "Associate to the CAO" for the purpose of performing services that further the official business of the University. Those services are performed without compensation. However, travel, meals, and incidental expenses are reimbursed at actual cost or paid directly by the University. All expenditures not related to the performance of those duties must be paid directly by the individual and not submitted for reimbursement.

- The University of Utah Board of Regents appoints each President's spouse to a "Special Assistance to the President" position at an annual salary of one dollar. The institution may pay actual expenses for travel, lodging, and meals of spouses when spouses participate in meetings, conferences, and official functions such as alumni development, fundraising, etc., as deemed beneficial for institutional purposes. If spousal presence is not deemed beneficial for institutional purposes, the institution will not pay expenses for the spouse.
- According to Texas Tech University's policies and procedures, when the President deems it necessary for valid public purpose, the spousal travel may only be paid from the President's foundation account and no travel expenses for the spouse is to be paid from appropriated funds.
- The University of Texas system rules and regulations indicate that travel and entertainment expenses exceeding \$100 must be reported quarterly and within 90 days after the end of each fiscal year. The Audit Office audits travel expenses, entertainment expenses, and residence maintenance expenses.

Automobile

- The University of Washington President's contract provides an automobile allowance of \$1,000 per month for use of personal vehicles for University.
- According to the University of Utah, Presidents receive an automobile for the President's institutional and personal use. During periods of extended personal use, the costs of gasoline, oil and other routine expenses shall be borne by the President. Presidents may, with approval of the Board of Trustees, choose to take a vehicle allowance rather than a designated state vehicle.

Housing

- The University of Washington's President lives in the University-owned residence. The University pays for the cleaning, maintenance and reasonable University-related event expenditures.
- The University of California provides housing for the President that includes public, guest and private use facilities. The public areas of the residence are used for official University business functions, including entertaining. An annual budget allocation is made available for the housing maintenance and related costs associated with the operation of the University-related residence. A Business and

Finance Bulletin provides guidance on the entertainment expenses incurred both on the residence and outside the residence.

- The University of Texas system regulations require that all expenditures that exceed \$10,000 for the furnishing, maintenance, or repair of a residence or its grounds must be approved in advance by a committee composed of the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, and the General Counsel to the Board of Regents.
- The University of Utah' policy indicates that the President's official residence is an institutional residence and is substantially used for work-related purposes, both administrative and social. The institutional residence budget is approved by the Board of Regents and requires reporting on or before September 15th of each year. Each President shall be responsible for the costs of personal long distance telephone service, cable television and any other personal telecommunication service.
- The Presidents' employment contracts at other New Mexico universities cover housing and automobile allowances.

APPROVALS



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Approved for Publication



Chair, Audit Committee