



MEMORANDUM

TO: Dr. Charles Lockwood, Sr. Vice President, USF Health

FROM: Debra S. Gula, CPA, Executive Director
Kate M. Head, CPA, CFE, CISA, Associate Director

DATE: February 18, 2016

SUBJECT: 16-013 Internal Audit of HPCC Administrative and Financial Controls

University Audit & Compliance (UAC) recently performed an audit of the USF Health Professions Conferencing Corporation (HPCC), a direct support organization of the USF System, at the request of USF System management and the HPCC Board Chair.

Our audit period was July 1, 2014 to June 30, 2015, and included a fraud risk assessment. We reviewed the administrative and financial controls environment in place as of June 30, 2015. The scope and objectives of our audit appear on page three of this report in [Appendix A](#).

The primary objectives of our audit were (1) to provide management with an objective assessment of whether systems and controls, if functioning as described and consistently applied, were adequate to ensure proper accountability and reporting of financial activities and to prevent and detect fraud and (2) to assist management in identifying and implementing improvements where weaknesses are identified.

UAC's overall conclusion was that there was an inadequate system of internal controls in place. Three high-priority risks are outlined in [Appendix B](#) along with our recommendations. Immediate corrective action is required by management to address these risks within 30 days. As of the date of this report, all high-risk issues have been resolved. UAC will perform follow-up procedures on these high-priority risks in six to twelve months to confirm that new processes and controls are working effectively.

While our audit did not identify any fraudulent activities, material unmitigated fraud risks were identified in the areas of procurement, including expenditures incurred using the corporate credit cards and travel and expense costs.

Urgent management attention will be required within 60 days to address the 14 medium-priority risks communicated separately in our management letter. Payroll certification, revenue collection, employee incentives, contract management, related party transactions, and financial reporting areas

also need additional controls to properly mitigate risks. As of the date of this report, three medium-risk issues have been resolved.

OVERALL CONCLUSION	
<input type="checkbox"/> Adequate System of Internal Control	Findings indicate that, as a whole, controls are adequate. Identified risks, if any, were low-priority requiring timely management attention within 90 days.
<input type="checkbox"/> Adequate System of Internal Control – with reservations	Medium-priority risks are present requiring urgent management attention within 60 days.
<input checked="" type="checkbox"/> Inadequate System of Internal Control	High-priority risks are present requiring immediate management attention within 30 days.

Please contact us at 974-2705 if you have any questions.

- cc: President Judy Genshaft, USF System
 Greg Vannette, Controller, HPCC
 Ed Funai, Chief Operating Officer, USFH
 Joann Strobbe, Sr. Associate Vice President and Chief Financial Officer, USFH
 Nick Trivunovich, Chief Financial Officer and Vice President, Business and Finance, USF System
 Chair, HPCC Board of Directors

APPENDIX A

OBJECTIVES

The primary objectives were (1) to provide management with an objective assessment of whether systems and controls, if functioning as described and consistently applied, were adequate to ensure proper accountability and reporting of financial activities and to prevent and detect fraud and (2) to assist management in identifying and implementing improvements where weaknesses are identified.

SCOPE AND METHODOLOGY

Our audit period was July 1, 2014 to June 30, 2015, and included a fraud risk assessment. We reviewed the administrative and financial controls environment in place as of June 30, 2015. The results of our audit were based on procedural and system walkthroughs and analytical review procedures. In high risk areas, sample transactions were reviewed to determine if controls were functioning as represented and whether there was evidence that a fraud might have occurred.

We followed a disciplined, systematic approach using *the International Standards for the Professional Practice of Internal Auditing*. The COSO Framework was used to assess control structure effectiveness.

BACKGROUND

Organizational Structure

USF Health Professions Conferencing Corporation (HPCC), a Florida Not-for-Profit Corporation was incorporated February 7, 2005, and began operations July 1, 2007. Prior to this date, HPCC activities were a component of USF Medical Services Support Corporation (MSSC), a direct support organization (DSO) of the University of South Florida System. HPCC, also a DSO, was established to provide educational, administrative, logistical and financial services to support the Office of Continuing Professional Development (CPD). Effective July 1, 2007, the assets, liabilities, and net assets of CPD were transferred from MSSC to HPCC based on the June 30, 2007, audited financial information.

HPCC is responsible for the operation of the Center for Advanced Medical Learning and Simulation (CAMLs), a multi-use facility which is utilized by both external organizations (primarily for industry and hospital events) and USFH academic programs from the Colleges of Nursing, Pharmacy, and Medicine.

HPCC also provides accounting services for the USF Health & Education International Foundation (HEIF), a private interest foundation organized in the Republic of Panama and incorporated on February 22, 2008.

In accordance with [USF Regulation 13.002 Direct Support Organizations and Health Services Support Organizations](#), HPCC must submit operating budgets, approved by the HPCC Board of Directors, to the University Board of Trustees for review and approval. In addition, quarterly

expenditure plans are reviewed and approved by the USF Health Sr. Vice President and the HPCC Board and are presented to the USF Board of Trustees Finance & Audit Workgroup. HPCC is required to have an annual financial audit performed, and the results of this audit must be reported to the USF Board of Trustees for review, oversight, and approval.

HPCC must also submit an annual certification to the USF Board of Trustees. Each DSO is expected to implement an internal control, reporting and governance structure consistent with best practices of USF, the DSO, as well as those detailed within NACUBO's Advisory Report on the Sarbanes-Oxley Act of 2002. To document this structure, DSOs must certify annually that such a structure is in place. This includes providing for external and internal audits. The certification is signed by HPCC's CEO, Controller, and Board Chair.

External Audit Results

HPCC's financial statements received an unqualified opinion from the external auditors for the fiscal year ended June 30, 2015.

The external auditors' report on internal control over financial reporting, states that during their audit, they did not identify any deficiencies in internal control that they considered to be material weaknesses. The report further states: "In planning and performing our audit of the financial statements, we considered USF HPCC's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USF HPCC's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control... Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified."

Internal Audit Services

UAC does not provide ongoing internal audit services to HPCC. HPCC contracts with the USF Physicians Group's internal auditor to provide 400 hours of service annually. The Annual Plan is presented each Spring to the HPCC Finance and Audit Committee for their approval. Past services have included agreed-upon procedures, such as internal control process documentation, review, and testing.

On November 21, 2014, the internal auditor presented the results of the calendar year 2014 projects to the HPCC Finance and Audit Committee which included 16 recommendations to improve internal controls, 13 of which were repeat findings. As of June 30, 2015, 14 of these recommendations had not been implemented.

UAC provides IT audit services to HPCC as needed. An IT audit is scheduled for FY 2016 and is currently underway.

Financial Systems

HPCC has established their own accounting structure, as well as policies and procedures governing operations. HPCC utilizes an accrual-based accounting system; however, accrual entries are only made on a quarterly basis.

HPCC uses a number of software programs to assist them with financial activities and reporting, event management, and accreditation management:

- 1) **MIP Fund Accounting** is used to manage financial activities and reporting including billing, accounts receivables, and procurement.
- 2) **CME Tracker** is an event management system used to track registration, attendance, and provide conference support (certification, name badges, etc.).
- 3) **BB&T's Authorize.Net** payment gateway interacts with CME Tracker to accept credit cards and electronic checks as payment from CPD attendees and is used to process non-registration payments via credit card.
- 4) **BB&T's Cash Manager** is the application used to process wires and ACHs.
- 5) **Delphi** is a sales tracking, quoting, and room scheduling solution.
- 6) **Intuit QuickBase** is a program management solution to track educational activities for accreditation management.
- 7) **WFR Web Ex** is a custom-built portal that interfaces with MIP Accounting Software and allows read-only access to cash-basis financial activities by program.

HPCC accounts for all activities utilizing primarily divisions and program accounts. Internal financial reports are prepared by division representing primary lines of business:

- Continuing Professional Development (CPD)
- CAMLS Admin/PO&M
- Education Center
- Pharmacy
- Surgical & Interventional Training Center (SITC)
- CAMLS Innovation Center (CIC) formerly Tampa Bay Research & Innovation Center (TBRIC)
- Virtual Patient Care Center (VPCC)
- Center for Operational Readiness, Response, & Recovery (COR³) - dissolved in 2015
- OSHA Training Institute
- Conflict Resolution Center
- USF Health & Education International Foundation - Panama

Within each division, activities are assigned unique program numbers (“900 accounts”). An example of an activity would be a unique CPD event. Each program has an assigned coordinator responsible for monitoring and approving routine financial activities. The Controller serves as the coordinator for programs associated with the CAMLS Administration Division.

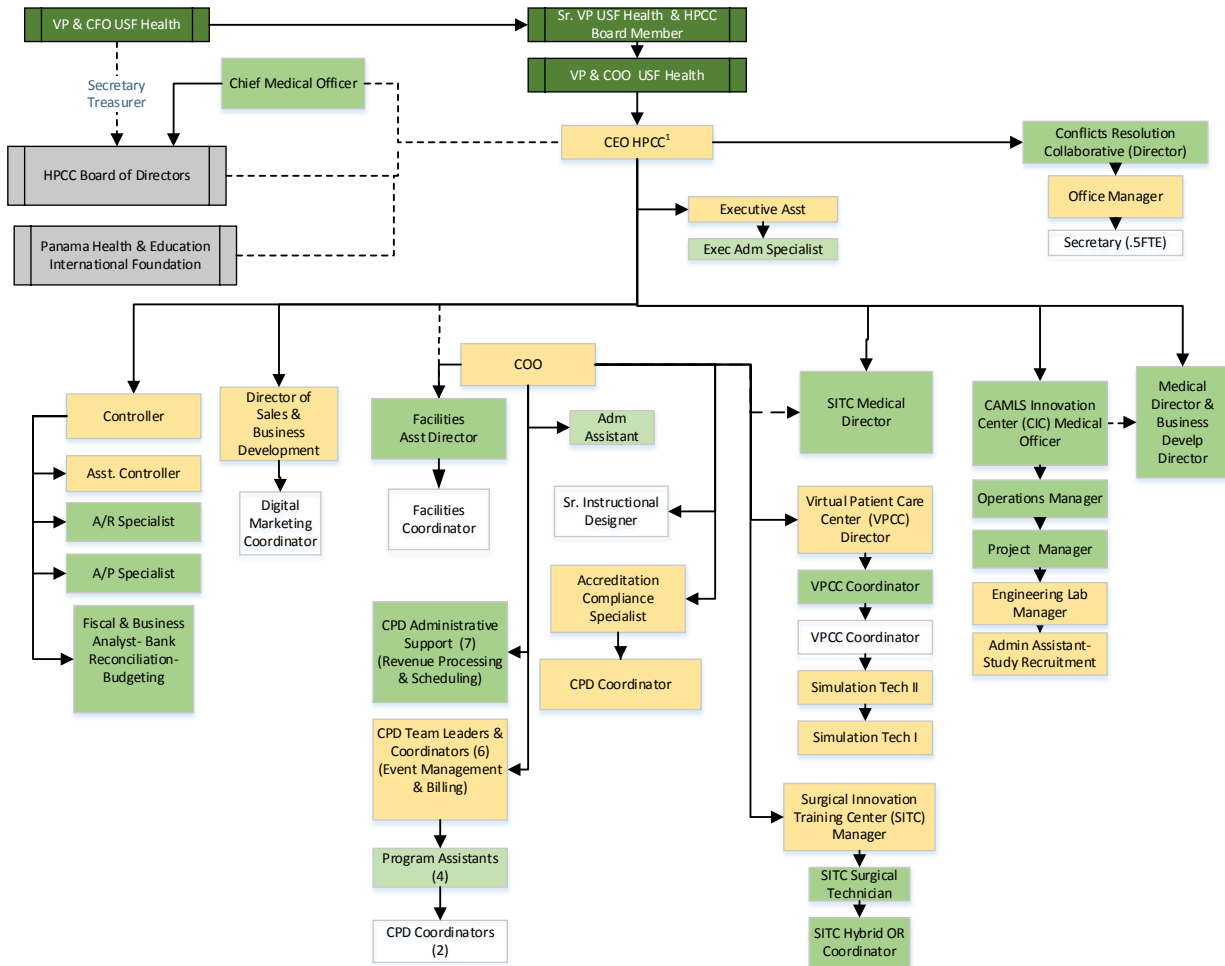
Financial Activities with Other USF Entities, including DSOs

Human Resources and Payroll Costs

All human resources and payroll processing services are performed by either USF or MSSC. MSSC is reimbursed by HPCC for all payroll and fringe benefit costs as well as a \$67 administrative fee per employee. USF payroll costs are recorded either in a USF due from account (Fund 94513) to be reimbursed by HPCC or funded by USFH as institutional support (USFH's Fund 10009) for its academic activities at CAMLS. During FY 2014-2015, HPCC payroll expenditures processed by MSSC and USF were \$2.8 million and \$2.0 million, respectively.

The organization chart below represents the current staffing levels. The direct reporting of HPCC was recently changed from the Sr. Vice President of USF Health to the Vice President and COO of USF Health.

HPCC Organizational Structure As of November 17, 2015



¹The CEO resigned effective January 29, 2016.

Contractual Arrangements with USF/University Medical Support Association (UMSA) Employees

USFH faculty are USF employees, but they also receive supplemental salaries from UMSA in support of their clinical efforts.

HPCC’s CPD policies permit the payment of reasonable honoraria and out-of-pocket costs to USFH faculty. The CPD registration fees, faculty honoraria, expense reimbursement policy states,

“It is the responsibility of the course director, in collaboration with the members of the planning committee, to establish the honorarium for each faculty member. The honorarium should be determined based on the program budget, faculty expertise, and time commitment related to the CE (Continuing Education) activity. The honorarium for USF Health-provided courses may range from \$1,000 to \$10,000 per presentation depending on the expertise of the faculty and the time commitment for the activity. It may always be less than this amount or waived entirely. An additional honorarium may be paid to the course director for the responsibilities related to this role. The honorarium for the course director shall not exceed \$5,000 unless the responsibilities over and above the typical course director role are documented. This amount may be paid in addition to the speaker honorarium.”

Honorariums and course directors’ fees are paid to USFH faculty through MSSC and are considered taxable wages. In lieu of payment, however, the faculty were permitted to retain the funds in an HPCC program (“900”) account and utilize them for business-related activities such as educational costs, travel, training, and equipment purchases.

CAMLS Facility Lease

The USF Financing Corporation (USFFC), a DSO, constructed the USF Health Professions Conferencing Corporation’s (HPCC) Center for Advanced Medical Learning & Simulation (CAMLS) facility using \$20 million in Build America Bonds. The total cost of the 99,614 square foot facility was \$28,367,519. The debt was issued by the USFFC and was secured by lease payments to be made by HPCC to the USFFC.

A capital lease between HPCC and USFFC was signed in December 2010 which transfers essentially all rights and responsibilities of ownership to HPCC. HPCC has accounted for the lease as if it were the owner during the construction period which ended in February 2012. The gross amount of the building and the related accumulated depreciation recorded under this capital lease were \$20,907,385 and \$3,096,941, respectively, at June 30, 2015.¹

During fiscal year 2015, the organization amended the lease period from 20 years to 40 years to June 30, 2051. The lease requires annual payments of approximately \$1.77 million through 2031. The lease extension permitted HPCC to adjust their depreciable life of the building but has no impact on HPCC’s financial obligations under the lease and does not impact cash flow.

Institutional Support

During FY 2014-2015, HPCC received support from USFH as well as the USF Foundation (USFF) and UMSA. During FY 2014-2015, HPCC recorded the following institutional support (Accounts 1003 - Cash, 1030 - USF Fund 94513 [convenience account], 4773 - Institutional Support, 5701 - USF Funded Payroll, and 5703 - USF Funded Operating Expense):

¹Source: 2014-2015 HPCC Audited Financial Statements.

**HPCC Institutional Support
FY 2014-15**

Entity	GL Account	Amount	Source	Nature of Support
USFF	1030/4773	\$350,000	Fund 25-0201	Reimburse USF Fund 94513 for payroll paid in prior year
USFF	1030/4773	750,000	Fund 89-0003	Reimburse USF Fund 94513 for payroll paid in prior year
USFF	1003/4773	100,000	Fund 31-9003	USF Health CAMLS Virtual Patient Care Center equipment & maintenance
USFF	1003/4773	500,000	Fund 31-9003 ¹	CAMLS facility and equipment loan payoff to USF
UMSA	1003/4773	200,000	UMSA	CAMLS Education Center support
USFH	1003/4773	10,000	COPH	Support for conference expenses
USFF	1003/4773	4,283	Unknown	Support for conference expenses
Subtotal		\$1,914,283		
USFH	1030/5701	2,022,911	Fund 10009	HPCC payroll costs paid directly by USFH
USFH	1030/5701	5,955	Unknown	Payroll funded by other USF department
USFH	1030/5703	240,424	Fund 10009	HPCC operating costs paid directly by USFH
TOTAL		\$4,183,573		

¹Original source of the funding was UMSA-funded USF Foundation account 25-8090.

Line of Credit

HPCC obtained a revolving line of credit from USF, which allowed HPCC to borrow up to \$2,000,000 at a fixed interest rate of 1.5%. On November 17, 2012, \$1.5 million was transferred to HPCC from USF. This was the only draw. It was the intention of the parties that amounts drawn on the line be paid in full each year; but if HPCC decided to carry a balance in any fiscal year, the line required that all principal and interest accrued be paid no later than three years after the date of the first draw on the line. Based on the date of the first draw, the expiration date was November 18, 2015. On June 29, 2015, the full amount of the line of credit and accrued interest was paid (\$1,558,685).

APPENDIX B

HIGH PRIORITY RISKS	RESOLVED
<p>1. There are inadequate controls over procurement to prevent fraudulent expenditures from occurring.</p> <p>Our audit identified the potential for individuals to initiate, approve, and obtain access to unauthorized payments and/or divert authorized checks to personal use. The monitoring and oversight controls would have been ineffective to identify these unauthorized payments.</p> <p>The following deficiencies were identified:</p> <ul style="list-style-type: none"> • Neither a system-based (purchase order) nor a manual-based <u>pre-approval</u> process for purchases is in place. There is no formal written pre-approval for expenditures, regardless of value, unless a formal contract is required by the vendor. • With the exception of preferred vendor relationships, no other policies and procedures governing the <u>procurement</u> of goods and services exist, including a requirement that written quotes be obtained and retained. • New vendors are selected and <u>vendor setup</u> information is obtained by HPCC staff involved in making purchasing decisions. No independent vendor verification process is in place to ensure that the vendor is a legitimate business with no relationship to the individuals making procurement decisions and that appropriate tax information is obtained to properly report the payment. • There are no policies and procedures over the <u>receipt</u> of goods and services to ensure that the individual receiving is not also authorizing payment. For CPD expenditures, the CPD coordinator initiates routine purchases, receives goods or services, and reviews and signs off on all invoices. There is no direct, independent review and approval of the coordinator's expenditure and invoice activity by team leaders or senior management. The A/P Specialist reviews invoices for the CPD coordinators' approval signature, but a detailed operational-level review is not performed. • For all other expenditures, HPCC staff initiate purchases, receive goods or services, and sign off on the invoice based on their area of responsibility. There is no official listing of <u>authorized signers</u> for a given division or program. • One accounting staff member (the A/P Specialist) is responsible for vendor setup, entering invoices into MIP for payment, selecting invoices for payment, printing checks, producing the editable positive-pay file, and submitting the file to the bank. This same individual mails out checks to vendors and receives returned checks. There is no verification that the positive-pay file was not changed prior to submission to the bank. • Honorarium checks are returned to the CPD program coordinator who initiates the payment and reconciles payments to program accounts. 	<p>Yes</p>

HIGH PRIORITY RISKS	RESOLVED
<ul style="list-style-type: none"> • Prior to release of checks, a check register is received via email and is reviewed and approved by the HPCC CEO, but no supporting documentation was provided. The check register did not contain a detailed transaction description. • During our review period, checks greater than \$25,000 were also approved by the USFH CFO based on an email description of the expenditures with supporting documents attached. No check copies or check registers were provided to the USFH CFO to ensure all checks greater than \$25,000 were reviewed. In addition, full support for credit card bills greater than \$25,000 was not provided. • Facsimile stamps were used to place the HPCC CEO’s signature (and the USFH CFO’s signature if greater than \$25,000) on the checks. Both stamps were in the possession of the HPCC CEO’s administrative assistant. <p><u>Update:</u> The HPCC CEO’s and the USFH CFO’s signature stamps are no longer in the Administrative Assistant’s control. Policies were established and approved by the HPCC Board of Directors on February 4, 2016.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. Either implement the MIP Purchase Order process or establish a manual, documented preapproval process for all non-credit card purchases which includes policies and procedures, purchase request forms, and a formal delegation of authority to authorize purchases. 2. Establish procedures which separate the authorization, receiving, and asset custody functions. 3. Establish vendor management procedures, which at a minimum ensure: <ol style="list-style-type: none"> a) Vendors complete new vendor forms and submit tax identification information directly to Finance and Administration. b) New vendors are reviewed and approved prior to set up by an individual not responsible for generating payments. c) Vendor set up and maintenance are limited to those with no payment processing or check handling responsibilities. 4. Reassign duties so that production of the positive-pay file is separate from the check initiation, authorization, and distribution function. 5. Reassign the process of returned checks to an individual not responsible for managing procurement and/or accounts payable. 	

HIGH PRIORITY RISKS	RESOLVED
<p>6. Establish procedures which ensure that all checks are mailed directly from the accounting area unless special approval is obtained due to the need to personally distribute checks to the vendor.</p> <p>7. Eliminate the use of facsimile stamps and utilize either actual signatures or a secured electronic check signature method.</p> <p>Management Attention Required: <input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	
<p>2. There are inadequate controls over credit card expenditures to prevent fraudulent expenditures from occurring.</p> <p>As of June 30, 2015, there were 15 American Express cards and 5 Visa cards with limits ranging from \$1,000 to \$350,000. The maximum monthly usage, on average, was only 58% and 50% of the card limits, respectively.</p> <p><u>CPD Credit Cards</u></p> <p>Credit card statements and/or receipts are not reviewed and approved by the employee’s supervisor to ensure they represent valid business expenditures. Cardholders are responsible for identifying and reporting personal charges for reimbursement. There are no consequences for repeated personal use of the card. The cardholder determines the GL account and program to record the expenditure to.</p> <p>CPD team leaders see the charges for coordinators they supervise on the WFR Web Report and review them for reasonableness. WFR Web Reports contain a generic transaction description of the charge and frequently lump multiple charges into one posting. When multiple credit cards charges are posted to the same program and account, the description was not always adequate to provide a sufficient trail from the posting to the receipts.</p> <p>The program coordinator, who is often the cardholder, is also responsible for reconciling the program expenditure reports to ensure that the credit card payments were properly recorded.</p> <p><u>Leadership’s Credit Cards</u></p> <p>The HPCC CEO and COO have three high-limit cards (CEO: two \$100,000 cards and COO: one \$350,000 card) with fiscal year 2015 expenditures totaling \$984,192. One of the CEO’s cards is used by all HPCC employees when booking airfare through “To Go Travel.” (See Management Letter for additional information.)</p>	<p>Yes</p>

HIGH PRIORITY RISKS	RESOLVED
<p>The HPCC COO's card was used for all large dollar purchases (\$1,500 or more per the policy) in order to leverage the rewards earned on the card. As a result, the account number and security code (CVV) were shared with all HPCC staff authorized to incur purchases.</p> <p>The HPCC COO's assistants help to coordinate the collection of receipts from the different purchase initiators. Program number and account to be charged is entered on the receipt by the individual incurring the charges. The individual is also supposed to be initialing the receipt slip. The HPCC COO reviews the statement and supporting documents, but this review was not formally documented.</p> <p>The HPCC CEO's and the HPCC COO's American Express statements are reviewed and approved by the HPCC Controller, who initials receipts to evidence review. In the event receipts are not submitted prior to the payment due date, a journal entry will be done to charge the expense to a general operating account. Once the appropriate documentation is received, a journal entry is prepared to reclassify the expenditures from the general operating accounts to the appropriate program accounts. The HPCC Controller does not see the missing receipts when reviewing the journal entry to repost the charge.</p> <p>Credit card statements were not reviewed by the USF Health CFO in detail during the approval of checks greater than \$25,000. An email with a general description of the nature of expenditures and details on larger items was sent to the USFH CFO, who then approved them via email.</p> <p><u>Update:</u> The HPCC COO's card was reissued. Credit card limits for both the American Express and Visa cards were reduced on February 5, 2016, to reflect business need and to ensure compliance with the new Corporate Credit Card policy. Policies were established and approved by the HPCC Board of Directors on February 4, 2016.</p> <p>Recommendations:</p> <ol style="list-style-type: none"> 1. Reduce card limits based on actual utilization to minimize risk and establish procedures to review and verify limits annually. 2. Establish procedures that require the cardholder's supervisor to review credit card purchases for valid business purpose and to document their review. 3. Ensure that journal entry descriptions are adequate to permit effective oversight especially when multiple charges are combined. 4. Cancel the HPCC COO's current credit card and obtain a new card. 5. Eliminate the sharing of credit card numbers and security codes. 	

HIGH PRIORITY RISKS	RESOLVED
<p style="text-align: center;">6. Utilizing the same oversight process as timely receipts, ensure that late receipts are reviewed and approved in detail.</p> <p>Management Attention Required: <input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	
<p>3. There were inadequate controls in place to prevent fraudulent travel and expense reimbursements from occurring.</p> <p>HPCC employees charge their travel expenditures to HPCC credit cards and master billings. CPD speakers, USFH faculty course leaders, and other external parties are reimbursed via check.</p> <p>In both instances, a Travel & Expense Reimbursement Request (TERR) must be completed by the traveler/cardholder. The TERR includes a certification by the traveler that the costs were incurred for an official business purpose and that the TERR is true and correct. The TERR is also approved by the division head. The HPCC COO’s TERR is approved by the HPCC CEO, and the HPCC CEO’s TERR is approved by the USFH CFO.</p> <p>We reviewed the American Express credit card statements of the HPCC CEO and HPCC COO for evidence of approval via a TERR and proper supporting details. Our review identified the following deficiencies:</p> <ul style="list-style-type: none"> • Travel authorizations were informally approved. There was no formal documentation of approval to travel in advance of travel costs being incurred. • TERRs were not completed by the HPCC CEO for all business meals. As a result, not all business meals were appropriately documented and approved by the Sr. Vice President for USF Health. • TERRs were not completed on a “trip” basis, and one TERR was completed for all travel and expense charges on the monthly credit card statement. This made reviewing for completeness and accuracy difficult as charges would hit multiple months or multiple cardholders’ statements when two or more HPCC employees were traveling together. • HPCC employees were charging for actual meal costs when HPCC travel policies indicated federal GSA was to be used. One employee would pay the meal costs for the entire group even when no external parties were present at the meal. According to the HPCC CEO, the traveler chose whether to receive GSA or actual meal costs. • There were no conference or meeting agendas included. Travelers were trusted to self-report meals paid by others or included in conference fees. 	<p>Yes</p>

HIGH PRIORITY RISKS	RESOLVED
<ul style="list-style-type: none"> • Meals and entertainment costs are not supported with detailed receipts. Credit cards slips showing total amount charged are accepted instead of an itemized receipt demonstrating business purpose, number of attendees, and their relationship to the organization, per IRS guidelines. In addition, hotel receipts are being accepted as the sole supporting documentation for meals and entertainment costs charged to the room. <p>We reviewed a sample of 60 direct reimbursement requests to CPD speakers, USFH faculty, and other external parties. Our review identified the following additional deficiencies:</p> <ul style="list-style-type: none"> • Travelers were using a blend of per diem and actual costs without any consistency or explanation. For example, breakfast and lunch would be per diem and dinner would be actual cost with no evidence of entertaining clients. 15% of direct travel and expenses reimbursements were not properly supported by detailed receipts. • For ten foreign trips reviewed, 30% had no documentation of the foreign currency conversion. There was no “translation” of foreign receipts to ensure validity of purchases. • Seven TERRs were not processed within the 90-day requirement, and there was no documentation for delays. • There were numerous mathematical errors and differences between amounts entered by travelers on the TERR and receipts. Often there was no documentation of the reason for the differences. • There was inconsistent coding of registration fees--sometimes lumped into travel (GL Code 5839) and sometimes coded separately to registration fees (GL Code 5477). <p><u>Update:</u> Policies were established and approved by the HPCC Board of Directors on February 4, 2016.</p> <p>Recommendation: HPCC should enhance and enforce procedures for travel and expenses which ensure all travel and expenses are authorized, properly supported, and are for valid business purposes. At a minimum, these procedures should include the following requirements:</p> <ol style="list-style-type: none"> 1. Advance written approval is required for all travel prior to incurring travel expenses. 2. All non-CPD business meals are to be included on a properly documented, supported, and approved TERR. 3. All HPCC staff travel should be reviewed and approved via a TERR, which is completed on a per-trip basis. 	

HIGH PRIORITY RISKS	RESOLVED
<p>4. Proper detailed support for all travel expenditures should be obtained and retained with the TERR, including detailed receipts for all non-per diem meals.</p> <p>5. Translated foreign receipts and support for conversion to USD should be retained.</p> <p>6. Meeting agendas, conference brochures, or other support for travel dates and meals should be provided.</p> <p>7. Consistent charging of actual meals versus per diem meals should be established.</p> <p>8. Documentation of approval for TERRs that are not submitted timely should be provided.</p> <p>9. Verification of mathematical accuracy and completeness of TERRs should be performed.</p> <p>Management Attention Required: <input checked="" type="checkbox"/> Immediate <input type="checkbox"/> Urgent <input type="checkbox"/> Timely</p> <p>Resources/Effort Required: <input type="checkbox"/> Significant <input checked="" type="checkbox"/> Moderate <input type="checkbox"/> Minimal</p>	