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Robert Donley, Executive Director

TO: Robert Donley, Executive Director of the Iowa Board of Regents

FROM: Todd T. Stewart, Chief Audit Executive

DATE: October 20, 2016

SUBJECT: Review of Travel Policies and the Use of State Equipment

BACKGROUND

The Board of Regents Executive Director, in consultation with the Chief Audit Executive (CAE) for the Board of Regents, requested a review of travel and capital equipment usage of state owned equipment for the Presidents at Iowa State University, University of Northern Iowa, and the University of Iowa. The request was prompted by media attention, given the July 2015 hard landing of an Iowa State University plane piloted by President Steven Leath. The extent of the review was defined through numerous communications over several days in order to reach agreement on scope and expedited timeline. The expectation set forth was that the CAE would provide an update, including a written report, at the Board of Regents Meeting on October 20, 2016.

SCOPE

The review was to provide a broad perspective on institutional and Board policies and practices with recommendations for improvements communicated to the appropriate officials at each Regent institution or the Board as necessary. Specific objectives included:

- Compared and contrasted “Use of Equipment” and “Travel” policies for the three Regent universities to ensure they are clear, complete, and consistent with Board of Regents policy, the State of Iowa, and Uniform Guidance.
- Reviewed the Presidents’ travel including employee reimbursements and approvals including benchmarking to peer institutions’ approval process.
- Examined original acquisition of university aircraft to determine compliance with Board policies.
- Reviewed insurance policies for university-owned aircraft.
- Evaluated the use of ISU Flight Service and who utilizes the planes and under what circumstances.
- Examined the reimbursements to ISU regarding President Leath’s use of the plane, including payment for damage to the aircraft as a result of the hard landing.

Review of Travel Policies and the Use of State Equipment

| Observations | Recommendations |
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| Compared and contrasted “Use of Equipment” and “Travel” policies for the three Regent universities to ensure they are clear, complete, and consistent with Board of Regents policy, the State of Iowa, and Uniform Guidance. | |
| <p>Private Aircraft</p> <ul style="list-style-type: none"> • BOR travel policy is silent on the use of private aircraft stating, “Air or rail transportation should be by common carriers. Use of university or chartered aircraft is permitted when it is justifiable.” • ISU travel policy for private aircraft is limited to reimbursement guidelines, UNI provides some additional guidance on liability and reimbursable expenses, and UI policy is extensive covering liability, reimbursement, and conditions and requirements for use. • UI and UNI limit reimbursement to that of a comparable coach class commercial flight and ground transport to/from the business location; ISU does not require a receipt for reimbursement nor provide limits to the reimbursement amount. | <p>BOR should consider including policy language related to the use of private aircraft.</p> <p>ISU and UNI should consider expanding their policy language to include more specific guidelines.</p> <p>ISU should determine limits for reimbursement and require receipts.</p> |
| <p>University Owned/Chartered Aircraft</p> <ul style="list-style-type: none"> • ISU policies are silent on the use of university owned or chartered planes. • UI and UNI policies cover chartered flights: authorization, decision-making considerations, and situations where the use of chartered flight is reasonable. | <p>Each institution should review their travel policies to ensure they address appropriate and reasonable use of university owned and/or chartered planes and the appropriate approval procedures.</p> |
| <p>Approval of Exceptions to Established Policy</p> <ul style="list-style-type: none"> • BOR policy states, "Exceptions to these meal and incidental standards in advance of travel must be approved by senior institutional officials (e.g., vice presidents, business officers, collegiate deans, and major directors of administrative units)." • ISU policy does not address approval of exceptions in advance of travel. | <p>To be consistent with BOR policy, ISU should require approval and explanation for exceptions in advance of travel.</p> |
| <p>Off-Campus use of University Equipment</p> <ul style="list-style-type: none"> • UI policy does not mention the fiduciary responsibility of the user of equipment off-campus or stipulate that equipment must be returned on demand, transfer, or leaving the university. • UI policy does require prior authorization from the | <p>Policies for off-campus use of university equipment should clearly define the fiduciary responsibility for off-campus use of equipment, return of the equipment, and procedures for prior authorization.</p> |

Review of Travel Policies and the Use of State Equipment

| Observations | Recommendations |
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| <p>university but does not require justification or require the signature/approval of the individual responsible for the equipment while off-campus.</p> <ul style="list-style-type: none"> • ISU policy requires prior written approval from the federal agency to remove federally owned equipment from campus. The ISU policies reviewed did not require written authorization from the university to take property off-campus. • UNI policy limits the authorized time off-campus to twelve months and requires a new authorization to extend the term. UI and ISU do not limit the time that equipment can remain off-campus. | <p>The authorization should be valid for a limited time and include at a minimum: the signature of the person responsible for the equipment at the off-campus location, signature of the person authorizing, signature of the Departmental Executive Officer, department, department contact, property tag number, description and serial number, projected return date, and specific location to be used.</p> |
| <p>Reviewed the Presidents' travel including employee reimbursements and approvals including benchmarking to peer institutions' approval process.</p> | |
| <ul style="list-style-type: none"> • UNI President primarily travels via car and commercial air flight. Provost approves travel for the UNI President. • UI President primarily travels via car and commercial air flight. President's travel is routinely approved by a senior financial analyst within his office. • ISU President primarily travels via car, commercial air flight, and university owned aircraft. The Senior Vice President of University Services approves travel for the ISU President. | <p>Each President's travel should be approved at a Vice President level. The Board should consider whether the Board President should review the Presidents' travels periodically such as quarterly or semiannually.</p> |
| <p>Examined original acquisition of university aircraft to determine compliance with Board policies.</p> | |
| <p>Acquisition of the Beechcraft King Air</p> <ul style="list-style-type: none"> • The Beechcraft King Air was purchased in February 2014. The purchase agreement was between the seller and the ISU Foundation. The ISU Foundation purchased the Beechcraft King Air for a purchase price of \$2,875,000 and per the agreement, the title was transferred directly to ISU. • As part of the agreement, ISU agreed to allow the ISU Foundation to sell or trade in the old King Air owned by ISU. The old King Air was ultimately sold by the ISU Foundation for a price of \$835,000. • The Executive Director of the Board Office was notified of the purchase. As the purchase of the aircraft was completed by the ISU Foundation, Board approval was not required. | |

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| <p>Purchase of the Cirrus SR22</p> <ul style="list-style-type: none"> • The Cirrus SR22 was purchased in July 2014. • Funds used to purchase the aircraft were provided by the ISU Foundation using unrestricted monies. • The aircraft was purchased for \$470,000 plus the trade-in of the old Piper aircraft, valued at \$28,000, making the total value of consideration \$498,000. • The Executive Director of the Board Office was notified of the purchase as required by policy. • As the purchase of the aircraft was under the \$1,000,000 purchasing threshold, Board approval was not required. | |
| <p>Reviewed insurance policies for university-owned aircraft.</p> | |
| <p>Review of Insurance Policies</p> <ul style="list-style-type: none"> • President Leath and any other pilot with an appropriate license and training are covered under the insurance policy. • An insurance claim was not filed in July 2015 after the Cirrus SR22 was damaged. The decision to not file an insurance claim was made in relation to the potential premium impact that would be caused by making a claim against the policy. | <p>The university should document their analysis and methodology to support business decisions.</p> |
| <p>Evaluated the use of ISU Flight Service and who utilizes the planes and under what circumstances.</p> | |
| <p>ISU Flight Service</p> <ul style="list-style-type: none"> • ISU Flight Service personnel were interviewed to obtain an understanding of the operation. • ISU Flight Service has developed rates to be charged for use of the Cirrus SR22 and the Beechcraft King Air. Use of the Cirrus SR22 is charged to the Office of the President at the end of the fiscal year based on flight hours flown. Regarding usage of the Beechcraft King Air, there are three university partners of ISU Flight Service: Iowa State Athletics, Office of the President, and the ISU Foundation. Each partner pays a partnership fee based on their expected use of the Beechcraft King Air during the upcoming fiscal year. In total, \$336,175 was collected in partnership fees during fiscal year 2016. Partners are then charged a rate of \$4.52 per nautical mile flown, while university | <p>Continue to annually review and approve rates charged to customers for use of the Cirrus SR22 and the Beechcraft King Air.</p> |

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| <p>non-partners are charged a rate of \$6.00 per nautical mile flown in the Beechcraft King Air.</p> <ul style="list-style-type: none"> • ISU Flight Service does not maintain a comprehensive log for all flights on the Cirrus SR22. • A comprehensive set of maintenance logs for each aircraft is available. | <p>Maintain comprehensive flight records for both the Cirrus SR22 and the Beechcraft King Air.</p> |
| <p>Examined the reimbursements to ISU regarding President Leath’s use of the plane, including payment for damage to the aircraft as a result of the hard landing.</p> | |
| <p>Reimbursements to ISU</p> <ul style="list-style-type: none"> • President Leath made payments for use of the Cirrus SR22 for the amount invoiced by ISU Flight Service for four trips: <ul style="list-style-type: none"> ○ March 25-29, 2015 ○ May 12-17, 2015 ○ July 3-14, 2015 ○ August 26-30, 2016 • The four payments made by President Leath for reimbursement were traced into the ISU Flight Service fund account. • Recently President and Mrs. Leath have made payments to the ISU Foundation in the amount of \$17,500 to reimburse for repair costs, storage of the Cirrus SR22, and the cost of having ISU Flight Service send the Beechcraft King Air to pick up the Leaths in July 2015 when the Cirrus SR22 experienced damage from the hard landing. | <p>While these trips did not conflict with university policy, we recommend more complete documentation of business purpose and recommend a greater distinction between business versus personal travel in the future.</p> |