



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 22, 2015

Howard Zemsky
Commissioner
Department of Economic Development
633 3rd Ave - 37th Floor
New York, NY 10017

Re: Report 2015-BSE5-001

Dear Commissioner Zemsky:

This letter summarizes the findings and recommendations from our examination¹ of select travel card transactions charged by Department of Economic Development (DED) employees. The objective of our examination was to assess the timeliness of reconciling credit card transactions against expense reports and the appropriateness of select travel card transactions.

We found many DED travelers did not reconcile their credit card transactions timely. As a result, DED Finance Office managers were unable to detect and stop inappropriate travel practices. In addition, DED Finance Office managers did not consistently hold employees accountable for unreconciled charges.

We shared a draft report with DED officials and considered their comments (Attachment A) in preparing this final report. In their response, DED officials agreed with all of our recommendations. DED will continue to implement procedures and processes to improve the timely submission of travel vouchers and has assigned staff to train travelers who continue to have issues with timely submission. DED will also continue to review outstanding charges and hold employees accountable for their travel card charges. In addition, DED officials stated that unreconciled charges have dropped from \$90,000 at the time of our examination to just over \$14,000.

The New York State Travel Manual requires travelers to submit expense reports timely² to provide the information necessary to reconcile the travel card bill and dispute potentially fraudulent charges. When travel card charges remain unreconciled for more than 30 days, there is an increased risk of fraudulent or inappropriate transactions not being addressed appropriately. This is a particular risk in an agency like DED, which has a relatively high volume of transactions per traveler, including international travel.

¹We performed our examination in accordance with the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8, and Article VII, Section 111 of the State Finance Law.

² Effective April 1, 2015, employees are required to submit travel expense reports within 30 days of the end of a travel event.

At the start of our examination in October 2014, DED had nearly \$90,000 in travel card charges that remained unreconciled by 46 employees for 31 to 618 days. This represents 24 percent of all travel card transactions charged by DED employees during January 1, 2013 through September 21, 2014. Since October 2014, charges that were unreconciled for more than 30 days dropped from \$90,000 to \$54,000, which represents 12 percent of all travel card transactions. This amount includes \$28,000 in unreconciled charges that were over 30 days old at the start of our examination.

Since our Office began its initial inquiries and throughout our examination, DED Finance Office managers have been developing a process for ensuring employees reconcile travel card charges timely. This includes notifying employees of their unreconciled charges; restricting the use of the travel card and/or restricting travel; and providing technical support and training.

However, we noted that DED Finance Office managers did not consistently hold employees accountable for unreconciled travel card charges. Subsequent to our Office's initial inquiries regarding the unreconciled charges in April 2014, Finance Office managers closed the International Director of Marketing's travel card account because he did not reconcile credit card charges for periods up to 588 days. However, Finance Office managers did not take the same action for Assistant Counsel, who in addition to having \$9,634 in charges that remained unreconciled for periods up to 595 days, also owes \$105 back to the State for charging more on his travel card than he was entitled to receive in accordance with travel reimbursement rates. Ultimately, the Business Services Center at the Office of General Services reduced Assistant Counsel's credit limit to \$2, effectively revoking his travel card privileges. According to DED's Senior Vice President of Administration, as of April 15, 2015, the Finance Office managers now reduce the credit limit for any employee who has unreconciled charges over 45 days old.

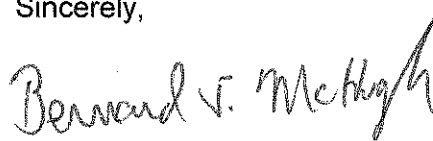
Due to the risky nature of unreconciled transactions, we also examined select travel card transactions made by three DED employees who consistently did not reconcile their charges. Based on our examination of these charges, we identified 26 transactions where the employee did not comply with the State's travel rules, which we communicated to DED's Finance Office directly. While the Finance Office detected and addressed 24 of these instances, the Finance Office would have detected them more promptly and could have prevented future inappropriate charges if the travelers had reconciled charges timely.

Recommendations

- 1) *Complete the reconciliation process for remaining unreconciled charges and bill employees for any overages.*
- 2) *Continue to develop and implement a process to ensure employees reconcile travel card charges consistent with the time frame in the New York State Travel Manual and promptly repay any monies due to the State.*
- 3) *Consistently hold employees accountable for unreconciled travel card charges.*

We thank the management and staff of the Department of Economic Development for the courtesies and cooperation extended to our auditors. Since your response to our report is in agreement with these recommendations, there is no need for further response. If you choose to provide a response, we would appreciate receiving it by August 21, 2015 indicating any actions planned to address the recommendations in this report.

Sincerely,



Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A

cc: Ed Hamilton



July 16, 2015

Bernard J. McHugh
Director of State Expenditures
Office of State Comptroller
110 State Street, 11th Floor
Albany, New York 12236

Re: Response to Draft Report 2015-BSE5-001

Dear Mr. McHugh:

The Department of Economic Development (DED) received the Office of the State Comptroller's (OSC) letter and recommendations on select travel card transactions charged by DED employees.

DED staff worked cooperatively with staff from the OSC for over a year to address an issue which we understand impacts numerous state agencies: the timely reconciliation of travel expenses by employees. DED Finance staff made steady progress in working with DED employees to reduce reconciliations over 30 days outstanding, and during the examination period unreconciled charges dropped from \$90,000 to \$54,000. Since that time, charges have continued to be addressed and as of early July just over \$14,000 in travel over thirty days old is pending with employees.

DED does not disagree with a main thrust of the letter that travel reconciliations should be submitted by the travelers in a timely fashion. DED has proactively sent out numerous notices to travelers to remind them of OSC's 30 day reconciliation policy, and more recently, assigned staff to assist travelers in submitting unreconciled travel in the most egregious situations. DED's approach to turning off cards for the most delinquent travels has had an impact, as has our procedure and threat to withhold lump sum accrual payments to any separating employee that has outstanding travel to reconcile.

Additionally, DED is committed to avoiding employees being delinquent in the submission of their travel expenditures. Moving forward, staff are being encouraged to take online and in-person travel and SFS training, and new staff are required to take online training before a DED travel card will be provided.

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It should be noted that the travel audit function no longer rests with DED Finance staff. While managers and finance staff review submitted travel, the Business Services Center (BSC) have assigned employees to review and audit DED traveler vouchers. The staff that performed such functions at DED were transferred to the BSC in January 2013. The BSC also sends several direct notifications: first to travelers, and then their supervisors, reminding them of outstanding expenditures. If expenses or transactions are submitted that do not comply with the State's travel rules, it is the BSC audit staff who notify travelers directly that corrections are needed, or provide the traveler with information for returning funds owed to the state.

OSC provided three recommendations for DED to address and improve unreconciled travel. DED is in agreement with all three as is summarized here:

- DED is addressing the unreconciled travel for all travelers. DED staff are assigned as needed to assist and actively engage/ train travelers that continue to have issues with their submissions.
- DED continues to implement procedures and processes to improve the timely submission of travel. Many of these were discussed with OSC staff and are also outlined above.
- DED will continue to review outstanding travel and hold employees accountable for their travel card charges.

As noted above, significant progress has been made and DED is committed to having all employee travel charges reconciled within 30 days for all travelers. DED will work both with travelers and their supervisors to remind and enforce requirements for submitting reconciliations in a timely manner.

Please feel free to contact me at ed.hamilton@esd.ny.gov or 518-292-5709 for any questions or further discussion.

Sincerely,



Ed J. Hamilton
Senior Deputy Commissioner, Finance and Administration