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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 7, 2019

Kristina M. Johnson
Chancellor
The State University of New York
State University Plaza
353 Broadway
Albany, NY 12246

Re: Report 2017-Credit Card-01

Dear Chancellor Johnson:

As part of our continuous examination¹ of Procurement Card (PCard) transactions and travel expenses, our Office reviewed a sample of high-risk PCard transactions and travel expenses for the State University of New York Maritime College (Maritime), including various transactions associated with one cardholder and travel expenses incurred by one professor. The objectives of our examination were to determine if the PCard transactions and travel expenses were appropriate and complied with Office of General Services (OGS) Citibank and Maritime Citibank-VISA PCard Guidelines and the Office of the State Comptroller (OSC) Travel Manual guidelines. To accomplish our objectives, we reviewed travel expense reports, receipts, PCard transactions and other pertinent documentation, and interviewed Maritime officials.

We found 58 of 59 PCard transactions in our sample: (i) were inappropriate, (ii) did not comply with OGS and/or Maritime PCard guidelines, or (iii) had insufficient documentation to determine appropriateness. This includes \$12,340 in inappropriate transactions. We also found Maritime approved up to \$3,750 in unnecessary luxury lodging accommodations over a six-year period for a professor who taught an annual course on a Carnival Cruise ship and \$857 in travel expenses incurred by the professor's family during that same time period. In addition, we found matters of lesser significance, which are not in this report but were discussed with Maritime officials.

We shared a draft report with Maritime officials and considered their comments (Attachment A) in preparing this final report. Maritime officials generally agreed with our recommendations and stated that the Student Government Association (SGA) reimbursed Maritime \$12,187 for State monies used to support their activities. In addition, Maritime will seek reimbursement from the

¹ We 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(1) and (7), and Article VII, Section 111 of the State Finance Law.

professor for the \$857 in taxes, fees, and port expenses associated with family members who attended the cruise.

High Risk Procurement Card Transactions

We examined 59 high-risk transactions totaling \$17,163 charged to one PCard for the period January 1, 2017 through September 30, 2017. We found 44 inappropriate transactions totaling \$12,340 and five transactions totaling \$3,625 that did not comply with OGS and/or Maritime PCard guidelines. In addition, we were unable to determine the appropriateness of nine transactions totaling \$974. The remaining transaction, in the amount of \$224, was appropriate.

Inappropriate Transactions

We found 42 of the 44 inappropriate transactions totaling \$12,187, were used for SGA activities, such as a “Designer Bingo” fundraising event. SGA collects student activity fees from matriculated students which should be used to pay for SGA activities. Instead, Maritime Officials used the PCard to pay for SGA activities. OGS PCard Guidelines instruct cardholders to use the PCards only for legitimate State business purposes. This prohibits state agencies from using State monies to aid any private association, including the SGA. SGA had not reimbursed Maritime for the inappropriate charges at the time of our audit, but officials responded to our draft report that they have since been reimbursed.

We identified two transactions related to employees’ personal use, \$100 for an edible arrangement and \$53 for an Amazon Prime subscription. According to the Maritime and OGS PCard guidelines, PCards may not be used for personal use. Based on our findings, the responsible employees repaid Maritime for these transactions.

In addition to determining these transactions were inappropriate, we identified significant issues related to all 44 transactions, including transactions: (i) not made by the named cardholder, (ii) that were travel related, (iii) where Maritime did not maintain receipts, and/or (iv) with no record to determine if the goods were distributed to the appropriate recipient. These issues are consistent with the findings related to the other 14 transactions discussed below.

Transactions That Did Not Comply with OGS PCard Guidelines

According to OGS PCard guidelines, only the employee that a PCard was assigned to can make purchases with that card. In addition, these guidelines prohibit the use of the PCard for travel related transactions.

We found five transactions totaling \$3,625 that did not comply with these guidelines. This included three transactions made by employees other than the employee to whom the PCard was issued and two transactions for travel-related expenses.

Transactions with Insufficient Documentation

The OGS PCard guidelines require cardholders to maintain all documentation necessary to reconcile the transactions. This allows Maritime officials to confirm all transactions were appropriate, all transactions were made by the cardholder whose name appears on the PCard, and all goods received were distributed to the proper recipient.

We were unable to determine the appropriateness of nine transactions totaling \$974 due to insufficient documentation. Maritime did not maintain receipts in five transactions and failed to document the recipient of the goods in four transactions.

Travel Expenses

The OSC Travel Manual provides guidance to agencies and employees traveling on official State business. Employees are reimbursed for their actual, necessary and reasonable expenses and are required to obtain prior approval for travel. Supervisors are responsible for ensuring travel is in the best interest of the State and reviewing the traveler's itinerary to verify the most economical method of travel is used. Supervisors are also responsible for reviewing and approving employees' travel expenses.

We examined expenses totaling \$10,232 related to a professor's travel on a Carnival Cruise ship while teaching an annual "Shipboard Operations for Shoreside Managers" course from 2013 through 2018, including \$9,375 for the professor's accommodations and \$857 in additional taxes, fees and port expenses for the professor's family members.

We found Maritime approved expenses for an upgraded balcony stateroom for all six cruises. For the 2018 cruise, a balcony stateroom cost 40 percent more than an interior stateroom. If the 40 percent difference between a balcony stateroom and an interior stateroom was approximately the same for the preceding five years, Maritime could have approved \$3,750 $((\$10,232 - \$857) \times 0.4)$ for luxury accommodations for the professor.

Maritime officials acknowledged the upgraded stateroom was unnecessary and agreed to limit the professor to an interior stateroom in the future. Although Maritime finance officials reviewed certain trip itinerary and pre-booking information prior to each cruise, they failed to identify the unnecessary and wasteful nature of the accommodations, and, as a result, allowed the professor to select a balcony stateroom, instead of the more economical interior stateroom.

Maritime also approved taxes, fees, and port expenses totaling \$857 over the six years for the professor's family members who were booked on each of the cruises. Expenses for family members are not reimbursable. The receipts the professor provided to the Maritime finance office did not contain a per passenger itemization disclosing which taxes, fees and port expenses were for the family members. As a result, Maritime's finance office unknowingly approved those expenses.

Recommendations

- 1) *Require the Student Government Association to reimburse Maritime \$12,187 for State monies used to support Student Government Association activities.*
- 2) *Review the nine transactions that we identified as lacking sufficient documentation to determine the appropriateness of the charges and recover funds as appropriate.*
- 3) *Ensure all Maritime employees comply with the OGS Citibank Procurement Card Guidelines and Maritime Citibank-VISA Procurement Card Guidelines.*
- 4) *Ensure all Maritime employees comply with the OSC Travel Manual Guidelines.*
- 5) *Recover \$857 from the professor for taxes, fees, and port expenses associated with family members who attended the cruise.*

We thank the management and staff of Maritime College for the courtesies and cooperation extended to our auditors. Since your response to the draft report is generally in agreement with this report, there is no need for a further response unless you feel otherwise. If you choose to provide a response, we would appreciate receiving it by July 5, 2019.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A

cc: Amy Montalbano
Adria DeFalco
Joseph Carbone
Kezia Chacko
Joseph Lue



The State University
of New York

Office of the
Chief Financial Officer

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May 27, 2019

Mr. Bernard J. McHugh
Director of State Expenditures
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. McHugh:

In accordance with Section 170 of Executive Law, we are providing our comments on the Office of State Comptroller (OSC) draft report 2017-Credit Card-01, hereafter the (Draft Report). The University generally agrees with the recommendations.

OSC Recommendations and Maritime Responses:

OSC Recommendation #1:

Require the Student Government to reimburse Maritime \$12,187 for State monies used to support the Student Government Association (SGA).

Maritime Response #1:

The SGA has reimbursed the Campus and the practice of the SGA reimbursing the College's State Procurement Card has ended. The SGA has secured a credit card and purchases are now directly made with SGA funds. It should also be noted that the SGA was formed to promote and manage programs and activities which enable students to further their educational and social experiences while at SUNY. The SGA and the Campus are closely aligned and work collaboratively in providing programs and activities to students.

OSC Recommendation #2:

Review the nine transactions that we identified as lacking sufficient documentation to determine the appropriateness of the charges and recover funds as appropriate.

Maritime Response #2:

The nine transactions were reviewed and deemed appropriate. All transactions were for campus activities run out of the Student Affairs Office: orientation, a campus health fair, health services, and Constitution Day.

OSC Recommendation #3:

Ensure all Maritime employees comply with the OGS Citibank Procurement Card Guidelines and Maritime Citibank-VISA Procurement Card Guidelines.

Maritime Response #3:

In 2018, every procurement card holder, and supervisor of procurement card holders (both signatories on the monthly card certification statement) attended one of many provided

To Learn
To Search
To Serve



"Procurement Card Renewal and FAQ Training" sessions. This practice is helpful for current cardholders and will continue in the future. New card holders are required to attend procurement card training before receiving their cards.

OSC Recommendation #4:

Ensure all Maritime employees comply with the OSC Travel Manual.

Maritime Response #4:

Employees are reminded of NYS, SUNY, and Maritime College travel guidelines throughout the year. The travel manuals are located on the Maritime College intranet (private internal network for employees) for quick reference, and updated regularly. New card holders are required to attend travel card training before receiving their cards. Additionally, new employees will be given travel guideline materials as part of their new employee welcome packet.

OSC Recommendation #5:

Recover \$857 from the professor for taxes, fees, and port expenses associated with family members who attended the cruise.

Maritime Response #5:

The Campus will seek reimbursement from the Professor and will ensure that for any future cruise, the Campus will request that the Cruise Line breakout the expenses related to taxes, fees, and port expenses for any family member(s) traveling with the professor. However, we would like to note that the professor had paid over \$1,800 in unreimbursed expenses related to these student trips from 2013 to 2018. The unreimbursed expenses paid by the professor include \$600 in deposits (\$150 in 2013 and 2017 and \$300 in 2018), \$960 for parking fees (\$160 each year), and \$330 (\$55 each year) for the Behind the Scene Tour for the students each year.

Thank you for the opportunity to respond to the Draft Report.

Sincerely,



Eileen McLoughlin
Senior Vice Chancellor for Finance and Chief Financial Officer

Copy: President Alfultis, Ms. Garvey, Mr. McGrath, Ms. Montalbano, Ms. DeFalco/Maritime