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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 10, 2013

Mr. Benjamin M. Lawsky
Superintendent
Department of Financial Services
One State Street
New York, NY 10004-1511

Re: Selected Employee Travel Expenses
Report 2012-S-77

Dear Mr. Lawsky:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we recently audited the travel expenses of 27 employees of the New York State Department of Financial Services (Department).

Background

New York State's executive agencies spend between $100 million and $150 million each year on travel expenses. These expenses, which are discretionary and under the control of agency management, include car rentals, meals, lodging, transportation, fuel, and incidental costs such as airline baggage and travel agency fees.

The Department spent $7,376,735 on travel expenses from April 1, 2008 through March 31, 2011. Of that amount, $3,572,940 or about 48 percent, was for reimbursements to employees for travel expenses, direct payments to vendors, and cash advances; and $3,803,795, or about 52 percent, related to charges on State-issued travel cards.

The Office of the State Comptroller sets rules and regulations for payment of expenses employees incur while traveling on official State business. The Comptroller's Travel Manual helps agencies and employees understand and apply the State's travel rules and regulations, and provides instructions for reimbursing expenses. In general, when traveling on official State business, only actual, necessary and reasonable business expenses will be reimbursed.

The audit at the Department is part of our statewide initiative to determine whether the use of travel monies by selected State employees complies with rules and regulations and is free from fraud, waste, and abuse. Auditors focused their audit efforts on the highest-cost travelers in the State, each of whom incurred over $100,000 in travel expenses during the three year period ended March 31, 2011, as well as on other outliers. As a result of this analysis, we examined the travel expenses for 27 Department employees whose travel costs totaled $1,876,046. Ten of these employees incurred over $100,000 in travel expenses in the three year period. The travel costs for these ten employees totaled $1,248,144. The remaining 17 employees with expenses totaling $627,902 were audited because of outliers identified in our planning analysis in the areas of lodging, meals, rental cars, air fare, train, large negative adjustment, fuel and miscellaneous travel.

Results of Audit

We were only able to audit two of the three years of travel expenditures totaling $1,876,046 because the Department was not required to and did not maintain records prior to April 2009. We found that the travel expenses for the 27 Department employees selected for audit were documented and adhered to State travel rules and regulations. Most of the employees selected (22) were either insurance or bank examiners; while 3 employees were executive managers and the remaining 2 employees were administrative staff. The majority of travel expenses for the 27 Department employees included lodging, airfare, train fare, fuel charges and meal reimbursements.

Audit Scope, Objectives and Methodology

We audited selected travel expenses for 27 Department employees for the period April 1, 2009 to March 31, 2011. The year April 1, 2008 to March 31, 2009, was not included in our scope period because the Department was not required to and did not maintain travel records prior to April 1, 2009. The objectives of our audit were to determine whether the use of travel monies by selected State employees complied with rules and regulations and is free from fraud, waste and abuse.

To accomplish our objectives, we analyzed travel expenses incurred by and on behalf of State employees for the two years ended March 31, 2011. Our analysis identified 10 Department employees whose expenses ranked among the highest in the State in the areas of lodging and meal reimbursements. The remaining 17 Department employees appeared risky in the areas of fuel charges, airfare, lodging, meal reimbursements, rental car charges or miscellaneous travel reimbursements.

As part of our examination, we obtained travel vouchers, receipts, and credit card statements for all transactions. We then verified that documentation supported the charges and showed the expenses incurred were for legitimate business purposes. We reviewed the Department's internal policies and procedures and determined the travel expenses selected for examination were approved and complied with this guidance, as well as with OSC procedures. We also became familiar with the internal controls related to travel, and assessed their adequacy related to the limited transactions we tested. Finally, we matched timesheet and travel records to ensure the travelers were working on days for which they requested travel reimbursement and reviewed E-ZPass records, where applicable, to match against travel vouchers.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system, preparing the State's financial statements, and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

We discussed the results of our audit with Department officials who agreed with our conclusions and waived the opportunity to provide formal written comments to be included in this final report.

Major contributors to this report were Melissa Little, Nadine Morrell, Sharon Salembier, Scott Heid, Rick Podagrosi, Christian Butler, Andrew Davis, Panika Gupta and Matthew Luther.

Please convey our thanks to the management and staff of the Department for the courtesies and cooperation that they extended to our auditors during this review.

Sincerely,

John F. Buyce, CPA
Audit Director

cc: Thomas Lukacs, Division of the Budget