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**New York State Office of the State Comptroller**  
Thomas P. DiNapoli

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Division of State Government Accountability

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## **Selected Aspects of Travel Expenses**

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### **Metropolitan Transportation Authority: New York City Transit, MTA Bus Company, and MTA Bridges and Tunnels**

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# Executive Summary

## Purpose

To determine whether travel expenses incurred by the Metropolitan Transportation Authority's New York City Transit, MTA Bus Company, and MTA Bridges and Tunnels were necessary and properly documented for business purposes. The audit covers the period January 1, 2011 through December 20, 2013.

## Background

The Metropolitan Transportation Authority (MTA) is a public benefit corporation providing transportation services in and around the New York City metropolitan area. The MTA comprises six constituent agencies – including New York City Transit (Transit), MTA Bus Company (MTA Bus), MTA Bridges and Tunnels (B&T), Long Island Rail Road, Metro-North Railroad, and MTA Capital Construction – and a Headquarters (MTAHQ), which provides administrative support.

The MTA issues policies, procedures, and rules for its staff to follow. MTA's Board approved an All Agency Policy Directive entitled "Travel and Business Expense" (travel policy directive) which states that "MTA Headquarters and each of its Constituent Agencies shall issue Agency-specific procedures consistent with this policy instruction for the recording and claiming of reimbursement for eligible employees travel and business expenses." In 2003, New York City Transit (Transit) issued its Policy Instruction covering travel and business expenses. In December 2013, MTA Bus issued its Travel and Business Expense Procedures that incorporates the travel policy directive by reference.

Since July 2009, MTA has contracted with a firm to act as the official travel agent for the MTA and its constituent agencies. The contract stipulates that the travel agent will book lodging at the lowest applicable and available rates. MTA agencies are required to use MTA's travel agent for all travel arrangements, except in certain situations (e.g., when more economical group lodging rates are otherwise available).

MTA has a Business Services Center (BSC) to administer certain financial functions for its various constituent agencies. Employees of MTAHQ and the constituent agencies (other than Transit) must file travel request forms and travel expense reports with the BSC. During our review period, Transit, MTA Bus, and B&T spent a total of about \$2.1 million for travel and entertainment.

## Key Findings

- Transit, MTA Bus, and B&T officials should strengthen certain controls over travel to help reduce costs. For example, they could use travel guidelines established by the U.S. General Services Administration (GSA) and the U.S. Department of State (DOS) regarding lodging rates.
- For trips booked by MTA's travel agent, we projected that 753 hotel stays exceeded the government lodging rates established by the GSA or DOS by at least \$127,963.
- Transit paid more than the GSA maximum lodging rate for 12 of 15 rooms booked by a total of \$3,962.

## Key Recommendations

- Revise the All Agency Travel Policy Directive to require the travel agent and MTA employees (who make their own lodging arrangements) to request GSA or DOS lodging rates, and when unsuccessful in obtaining such rates, to document the efforts to obtain them.
- Formally direct officials who approve claims for travel reimbursements that they should verify that lodging rates are consistent with GSA and DOS rate limits. When GSA or DOS rates are not obtained, these officials should ensure that unsuccessful efforts are adequately documented.
- Actively monitor compliance of MTA's travel agent with contract terms regarding the use of government rates for lodging.

## Other Related Audits/Reports of Interest

[Metropolitan Transportation Authority: Headquarters and Capital Construction: Travel and Entertainment Expenses \(2013-S-47\)](#)

[Metropolitan Transportation Authority: Long Island Rail Road: Selected Travel Expenses \(2013-S-77\)](#)

**State of New York**  
**Office of the State Comptroller**

**Division of State Government Accountability**

May 15, 2015

Mr. Thomas Prendergast  
Chairman and Chief Executive Officer  
Metropolitan Transportation Authority  
347 Madison Avenue  
New York, NY 10017

Dear Mr. Prendergast:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of the MTA's New York City Transit, MTA Bus Company, and Bridges and Tunnels entitled *Selected Aspects of Travel Expenses*. This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller*  
*Division of State Government Accountability*

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 Division of State Government Accountability  
 110 State Street, 11th Floor  
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This report is also available on our website at: [www.osc.state.ny.us](http://www.osc.state.ny.us)

## Background

The Metropolitan Transportation Authority (MTA) is a public benefit corporation providing transportation services in and around the New York City metropolitan area. It is governed by a 23-member Board of Directors, whose members are appointed by the Governor with the advice and consent of the State Senate. The MTA has six constituent agencies: NYC Transit (Transit), MTA Bus Company (MTA Bus), MTA Capital Construction, the Long Island Rail Road, Metro-North Railroad, and Bridges and Tunnels (B&T). The MTA also has a Headquarters (MTAHQ) which provides administrative support.

The MTA issues policies, procedures, and rules for its staff to follow. MTA's Board approved an All Agency Policy Directive entitled "Travel and Business Expense" (travel policy directive) which states that "MTA Headquarters and each of its Constituent Agencies shall issue Agency-specific procedures consistent with this policy instruction for the recording and claiming of reimbursement for employees eligible travel and business expenses." In 2003, Transit issued its Policy Instruction covering travel and business expenses (travel policy instruction). The travel policy directive as well as the travel policy instruction for lodging stipulate that "State or Government discount rates should be secured whenever possible." In December 2013, MTA Bus issued its Travel and Business Expense Procedures.

The U.S. General Services Administration (GSA) establishes the government rate for all 50 states, Puerto Rico, Guam, and American Samoa. The GSA's lodging rates are based upon the geographic area of travel and are established each federal fiscal year beginning October 1. Foreign per diem rates are established monthly by the U.S. Department of State (DOS) for reimbursement of U.S. Government civilians traveling on official business in foreign lands.

Since July 2009, MTA has had a centralized travel agency contract for use by all constituent agencies to book air fare, railroad tickets, lodging, and car rentals. With certain exceptions (e.g., lodging for conferences at more economical group rates), arrangements for lodging should be made through the travel agent. The travel agent is responsible for obtaining the lowest available travel and lodging rates, including (but not limited to) the hotel's published rates or the government, commercial, corporate, or other discounted rates. In addition, the travel policy instruction requires that any travel arrangements secured by any other means must be fully explained and justified in writing by the employee and approved by the Controller.

MTA's Business Service Center (BSC) processes travel payments for all constituent agencies except Transit. From January 1, 2011 to December 20, 2013, Transit made 2,633 payments for travel totaling about \$1.9 million. From December 23, 2011 to November 15, 2013, MTA Bus made 60 travel payments totaling \$37,565, and from January 1, 2011 to October 3, 2013, B&T made 388 travel payments totaling \$161,138.

## Audit Findings and Recommendations

Transit, MTA Bus, and B&T incurred costs for hotel rooms which exceeded the applicable GSA lodging rates. For our audit period, the additional costs totaled about \$135,000. We believe that Transit, MTA Bus, and B&T officials could save material amounts of travel costs by strengthening certain practices, including the use of GSA and DOS lodging rates.

### Lodging Rates and Costs

#### *New York City Transit*

We reviewed a judgmental sample of 26 payments totaling \$112,125 made between January 1, 2011 and December 20, 2013. The business purposes of the travel expenses were properly documented. However, Transit could improve practices by: revising the travel policy directive and agency-specific policy instructions to ensure that lodging is booked at the best available rate (including the GSA and DOS rates); and monitoring travel agent activities for making lodging arrangements better. We determined that Transit frequently incurred costs for lodging in excess of GSA/DOS rates. For example, we found:

- Two payments totaling \$4,114 for two trips wherein employees booked their hotel reservations. In both instances, the room costs exceeded the maximum lodging rates, by a total of \$644. There was no written justification for exceeding the government rates; and
- Twelve of 15 rooms booked for business meetings exceeded the GSA maximum lodging rate by a total of \$3,962, including a suite that exceeded the rate by \$1,796. In addition, Transit paid \$630 for two rooms that were not used. Transit officials stated that the rooms were necessary to provide space for meetings and work areas for staff prior to meetings. In addition, Transit officials stated that by the time they knew the exact number of rooms needed, it was too late to cancel reservations for the extra rooms. Given the total costs for the accommodations (\$12,725), we believe that Transit officials should have made better efforts to avoid unnecessary expenses at the time of the booking.

Also, we reviewed the 1,122 hotel stays (costing \$1,527,849) that MTA's travel agent booked from January 1, 2011 through December 17, 2013. Of the 1,122 stays, 753 stays exceeded the GSA and DOS rates. Based on our review of a random statistical sample of 146 (of the 753) stays, we projected that Transit overpaid \$127,963 for lodging based on the rates in effect when the employees traveled. One employee, for example, exceeded the lodging rate by \$213 a night for two nights (or a total of \$426) in Indiana. On another occasion, a Transit employee exceeded the GSA lodging rate by \$33 per night for 26 nights (totaling \$858) in Idaho.

Transit officials stated that when an employee travels for a conference, usually the conference room rate is the lowest rate that can be attained. However, there was no evidence that employees attempted to obtain GSA rates if they were lower than the conference rate. Transit officials also stated that when an emergency arises, lodging is booked on short notice, and therefore, the employee is not required to obtain the GSA or DOS rate. Based on the available documentation,



however, it was unclear how many (if any) of the bookings pertained to emergencies. Transit officials also pointed out that employees are not always required to book government lodging rates because Transit's travel policy states that the employee must obtain the government rate "whenever possible."

According to an official of MTA's travel agent, he was aware of the GSA rate, but was uncertain if MTA employees were eligible for it. Consequently, travel agency staff usually did not try to obtain the GSA rate for MTA employees. The official added that lowest rate available in the agency's system was booked at the time of a request. Generally, the travel agency staff relied on the hotel to provide the lowest rate. Nonetheless, Transit officials did not monitor the lodging rates obtained by the travel agent to determine if the lowest possible rates (including those established by the GSA) were obtained.

### *MTA Bus Company*

MTA Bus made 60 payments totaling \$37,565. We judgmentally selected nine (of the 60) payments totaling \$18,308 for review and examined the supporting documentation for those payments. Three of the nine payments pertained to routine travel situations, and MTA Bus' Travel and Business Expense Procedures were followed in these instances.

The remaining six payments pertained to items such as training in New York City, replenishment of petty cash funds, seminar fees, and a charge on a credit card. From these payments, we identified two travel-related charges totaling \$3,173. In both instances, employees booked hotel rooms and exceeded the GSA lodging rate by a total of \$438. In addition, there were 14 hotel stays totaling \$11,165 that were booked by MTA's travel agent. Four of these stays exceeded the GSA and DOS lodging rates at the time by a total of \$1,092. Thus, for the hotel stays that were reviewed, MTA Bus exceeded the applicable federal lodging rates by a total of \$1,530 (\$1,092 + \$438).

### *Bridges and Tunnels*

We judgmentally selected 44 payments for rooms booked by employees and determined that six (of the 44) exceeded the applicable GSA and/or DOS rates by a total of \$543. In addition, two of 20 selected hotel stays booked by MTA's travel agent exceeded the GSA rate by a total of \$153. Thus, B&T paid a total of \$696 over the GSA or DOS rates for the 64 payments reviewed.

B&T officials stated that most B&T travel is related to attendance at conferences and seminars, and hotel rooms are generally offered at discounted rates as part of the conference/seminar packages. Consequently, B&T employees generally do not attempt to book GSA rates. Moreover, B&T officials informed us that they do not review hotel stays (booked by employees or the travel agent) to ensure that the lowest possible rates are obtained. In addition, B&T officials do not require employees or the travel agent to submit documentation to support lodging rates which exceed the GSA or DOS rates. As noted previously, travel agent staff were not aware of the GSA rates in effect and relied on the hotels to provide their lowest rates. Nonetheless, B&T officials did not monitor lodging charges to ensure that employees obtained the lowest available rates.



In response to our preliminary findings, officials indicated that they believe B&T complied with the MTA travel policy directive for lodging. Officials added that the travel policy directive did not require the use of the GSA lodging rates and that the GSA rates are maximums that a federal agency (and not necessarily a State authority) will pay for lodging without additional authorizations. Officials also noted that hotels are not required to offer GSA rates, and many hotels have government discount rates that differ from the GSA rates. Nevertheless, by requesting GSA rates, B&T can be better assured that it is not incurring excessive costs for employee lodging.

## Specific Procedures for Bridges and Tunnels

As previously noted, MTA's travel policy directive required each constituent agency to issue agency-specific procedures, consistent with the policy directive, for employees to record and claim reimbursement for eligible travel and business expenses. However, B&T officials informed us they did not develop their own agency-specific procedures as required by the policy directive. According to B&T officials, the creation of a separate B&T policy would be redundant and lead to inefficiencies. However, also as previously noted, B&T employees did not request GSA/DOS rates, and B&T officials did not review lodging claims to help ensure that employees obtained the most reasonable lodging rates. We attribute these weaknesses, at least in part, to the absence of agency-specific procedures.

We also noted B&T officials did not ensure that all claims for travel reimbursement were adequately supported by backup documentation prior to their submission to the BSC. Of the 44 payments we sampled, two (totaling \$594) lacked adequate supporting documentation. In one instance, there was no formal preapproval for local travel, as otherwise required. In the second case, there was a discrepancy between the amount paid to the employee and the amount due per the backup documentation. If B&T had formal procedures for the review of travel claims, the deficiencies we identified might have been detected and addressed.

## Recommendations

1. Revise the All Agency Travel Policy Directive to require the travel agent and MTA employees (who make their own lodging arrangements) to request GSA or DOS lodging rates, and when unsuccessful in obtaining such rates, to document the efforts to obtain them.
2. Formally direct officials who approve claims for travel reimbursements that they should verify that lodging rates are consistent with GSA and DOS rate limits. When GSA or DOS rates are not obtained, officials should ensure that unsuccessful efforts are adequately documented.
3. Actively monitor compliance of MTA's travel agent with contract terms regarding the use of GSA rates for lodging.
4. Actively monitor compliance with the travel policy directive that employees secure the lodging rates established by the GSA or DOS and, when unsuccessful, document the actions taken to obtain these rates.

5. Require B&T to develop agency-specific procedures consistent with the All Agency Policy Directive for the recording and claiming of reimbursement for eligible travel and business expenses, including adequate supporting documentation for such claims.

## Audit Scope and Methodology

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The objective of our audit was to determine whether travel expenses incurred by MTA's Transit, MTA Bus, and B&T were necessary and properly documented for business purposes. The audit covered the period January 1, 2011 through December 20, 2013 for Transit, December 23, 2011 to November 15, 2013 for MTA Bus, and January 1, 2011 to October 3, 2013 for B&T.

To accomplish our objective, we reviewed all relevant backup documentation related to the travel payments in our sample. In addition, we interviewed Transit, MTA Bus, and B&T officials to obtain an understanding of the internal controls related to travel and entertainment expenses. We also reviewed the MTA's All Agency Policy Directive, Transit's travel policy instruction, Transit's travel database, and the database of hotel stays maintained by MTA's travel agent. We researched the GSA rates by state and country. The GSA's lodging rates are based on the geographic area of travel and are established each federal fiscal year beginning October 1.

We reviewed the database maintained by MTA's travel agent and compared it to the database maintained by Transit. We identified 753 hotel stays that exceeded the applicable GSA and DOS lodging rates. We selected a random sample of 146 of the 753 hotel stays for further review. We compared the actual hotel invoice to the information within the MTA's travel agent's database. Using a statistically valid sampling methodology, we projected the excessive payments to the 753 stays using a 95 percent confidence level. We also selected and reviewed a judgmental sample of 26 payments identified between January 1, 2011 and December 20, 2013 for Transit, and a judgmental sample of 11 payments between December 23, 2011 and November 15, 2013 for MTA Bus. We also reviewed 44 payments totaling \$38,103 that were judgmentally selected for B&T between January 1, 2011 and October 3, 2013.

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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 the 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.

## Authority

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This audit was performed pursuant to the State Comptroller's authority under Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law.

## Reporting Requirements

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We provided a draft copy of this report to MTA officials for their review and formal comment. We considered those comments in preparing this final report and have included them in their entirety at the end of the report. Also, our rejoinders to certain MTA comments are included in the report's State Comptroller's Comments.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chairman and Chief Executive Officer of the Metropolitan Transportation Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

## Contributors to This Report

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**Carmen Maldonado**, Audit Director  
**Robert Mehrhoff**, Audit Manager  
**Myron Goldmeer**, Audit Supervisor  
**Daniel Raczynski**, Examiner-in-Charge  
**Jonathan Bernstein**, Staff Examiner  
**Daniel Bortas**, Staff Examiner

## Division of State Government Accountability

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### Vision

A team of accountability experts respected for providing information that decision makers value.

### Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

# Agency Comments

2 Broadway  
New York, NY 10004  
212 878-7000 Tel

**Thomas F. Prendergast**  
Chairman and Chief Executive Officer



## Metropolitan Transportation Authority

State of New York

March 27, 2015

Ms. Carmen Maldonado  
Audit Director  
The Office of the State Comptroller  
Division of State Government Accountability  
123 William Street – 21<sup>st</sup> Floor  
New York, NY 10038

### **Re: Draft Report #2013-S-79 (Selected Aspects of Travel Expenses)**

Dear Ms. Maldonado:

This is in reply to your letter requesting a response to the above-referenced draft report.

I have attached for your information the comments of Carmen Bianco, President, NYC Transit; Darryl C. Irick, President, MTA Bus Company; and, James L. Ferrara, President, Bridges & Tunnels, which address this report.

Sincerely,

A handwritten signature in black ink, appearing to read "THF-R", written over a horizontal line.

Thomas F. Prendergast  
Chairman and Chief Executive Officer

### Attachments

c: Lamond W. Kears, Chief Compliance Officer, MTA

#### *The agencies of the MTA*

MTA New York City Transit  
MTA Long Island Rail Road

MTA Metro-North Railroad  
MTA Bridges and Tunnels

MTA Capital Construction  
MTA Bus Company

# Memorandum



**New York City Transit**

**Date:** March 18, 2015

**To:** Thomas F. Prendergast, Chairman and CEO  
Chairman and Chief Executive Officer, Metropolitan Transportation Authority

**From:** Carmen Bianco, President, NYC Transit *[Signature]*

**Re:** MTA-NYC Transit Response To Draft Audit Report Of Selected Aspects Of Travel Expenses (OSC Report No. 2013-S-79) – 30 Day Response

We have reviewed the OSC's draft audit report concerning Selected Aspects of Travel Expenses and hereby provide you with our comments as they pertain to the New York City Transit Authority ("NYCTA").

NYCTA is committed to having the proper controls in place to manage employee travel expenses and we diligently follow the comprehensive MTA corporate-wide Travel and Business Expense Directive ("MTA Policy") and NYCTA's Expense Policy/Instruction (together the "Policies") that cover when employees incur, approve and claim reimbursement for eligible travel and business expenses. Nevertheless, we will use the findings and recommendations included in the draft report to further improve our controls over these expenses.

Upon our review we have found that certain statements included in the draft report require further clarification and explanation as follows:

The draft report indicates that, in certain instances, the lodging rates paid by NYCTA during the periods audited exceeded the U.S. General Services Administration (GSA) or U.S. Department of State ("DOS") lodging rates by an estimated total of \$127,963. The draft report, however, does not indicate that booking a lodging rate in excess of the GSA per diem rate is not itself improper; provided that the actual lodging rate paid was approved by management and that the MTA's travel agent secured "the lowest applicable and available rate." Federal employees who are subject to the GSA per diem lodging rates may exceed the GSA rates (by as much as 300%) with the requisite management approvals.

Further, it is important to note that the costs in excess of the GSA rates were unavoidable, because NYCTA's travel agent attempted, but was unable, to find suitable lodging at the GSA or DOS rates. In short, NYCTA had no choice but to pay the higher lodging rates.

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Comment  
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Comment  
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\*See State Comptroller's Comments, Page 21.

Thomas F. Prendergast  
 March 18, 2015  
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Moreover, the Policies do not require the exclusive utilization of the GSA or DOS per diem lodging rates. Rather, the Policies indicate that these rates should be secured whenever possible and expenses are reimbursed at actual but reasonable cost.

The report also indicates that in one instance twelve of fifteen rooms booked for a business meeting exceeded the GSA rate by \$3,962, including a suite which exceeded the rate by \$1,796 and that NYCTA paid \$630 for two rooms that were not used. However, it must be noted that the rates for this reservation cannot be compared to the GSA rate for normal rooms because the reservation was for a combination of both sleeping accommodations and large meeting rooms related to union negotiations that were going on at the time. The report goes on to state that NYCTA should have negotiated a better cancellation clause at the time of booking so it would not have to pay for the two rooms that went unused. However, at the time of booking the hotel was not willing to offer NYCTA the option of cancelling the reservations at no cost because they were made on very short notice and, if cancelled, could not have been offered to other customers.

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 Comment  
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Following are our specific responses to the draft report recommendations which are applicable to NYCTA.

**Recommendation 1:**

Revise the All Agency Travel Policy Directive to require the travel agent and MTA employees (who make their own lodging arrangements) to request GSA or DOS lodging rates, and when unsuccessful in obtaining such rates, to document the efforts to obtain them.

**Response To Recommendation 1:**

The NYCTA will assist the MTA staff as required in reviewing the MTA Policy to determine if additional controls over lodging costs are required. However, as stated above, the MTA Policy does not require the exclusive utilization of GSA or DOS lodging rates and already states, in Section I (Lodging), that the State and Government discount rate (not limited to only GSA or DOS) should be secured whenever possible. Utilization of a single lodging rate is not required. The audit report noted that the GSA establishes the Government rate for all fifty states and certain US territories. However, the GSA lodging rate is the maximum that a federal government agency, and not a state authority, will reimburse or pay its employees without additional authorizations. This rate is not binding upon hotels or other lodging establishments, and many hotels have government discount rates that differ from the GSA lodging rate cited in the report. Further, the MTA Policy states that expenses are reimbursed at actual but reasonable cost (after taking into account the cost of travel to alternative lodging). In instances where travelling distances to alternative lodging results in increased travel expenses, insistence on GSA or DOS rates may be counterproductive and serve to increase costs. The Policies recognize the numerous factors affecting the decision of what is a reasonable lodging cost, including transportation costs, time value of our employees as well as lost opportunities.

\*  
 Comment  
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**Recommendation 2:**

Formally direct officials who approve claims for travel reimbursements that they should verify that lodging rates are consistent with GSA and DOS rate limits. When GSA or DOS rates are not obtained, officials should ensure that unsuccessful efforts are adequately documented.

**Response To Recommendation 2:**

NYCTA has cost-effective controls in place and will, of course, enhance those controls whenever appropriate. Note that NYCTA's travel approval process already requires numerous approvals. Requiring these approvers to verify lodging rates would be an onerous control to mitigate a compliance risk that does not currently exist. In addition, this additional step would require additional staff time to monitor compliance with the new controls which would add to our costs.

**Recommendation 3:**

Actively monitor compliance of MTA's travel agent with contract terms regarding the use of government rates for lodging.

**Response To Recommendation 3:**

NYCTA actively monitors MTA's travel agent in connection with the "use of government rates." The contract, for example, states that "The Contractor shall book lodging at the lowest applicable and available rate, including but not limited to negotiated directory published rate, government, commercial, corporate or other discounted rate." In short, we already comply with this recommendation. The draft audit report, however, seems to treat the government rate as if it is synonymous with the GSA rate. They are not. Going forward, NYCTA will continue to monitor our compliance with the Policies, which includes determining that the MTA's travel agent obtains the lowest applicable and available lodging rates as per the contract terms.

**Recommendation 4:**

Actively monitor compliance with the travel policy directive that employees secure the lodging rates established by the GSA or DOS and, when unsuccessful, document the actions taken to obtain these rates.

Thomas F. Prendergast  
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**Response To Recommendation 4:**

Although the MTA Policy does not require the exclusive utilization of the GSA or DOS rates, NYCTA will assist the MTA staff in reviewing the MTA Policy to determine if additional controls over lodging costs are required, and will continue to monitor compliance with the MTA Policy.

2 Broadway  
New York, NY 10004-2207

Darryl C. Irick  
President



February 25, 2015

Ms. Carmen Maldonado  
Audit Director  
The Office of the State Comptroller  
Division of State Government Accountability  
123 Williams Street – 21<sup>ST</sup> Floor  
New York, NY 10038

Dear Ms. Maldonado:

Thank you for the opportunity to review the draft audit report concerning Travel and Entertainment Expenses and to provide comments as it relates to MTA Bus Company. The draft report identified a total of six instances where lodging rates exceeded the U.S. General Services Administration (GSA) lodging rate by a total of \$1,530. However, it is important to note that MTA's Travel and Business Expense Policy Directive does not require the exclusive utilization of the GSA or U.S. Department of State per diem lodging rates. Rather, the policy indicates that these rates should be secured whenever possible. In addition, the MTA Policy Directive allows employees in certain situations, when attending events, to stay at the location hosting the event. Following are our specific responses to the draft report recommendations which are applicable to MTA Bus.

**Recommendation 2:** Formally direct officials who approve claims for travel reimbursements that they should verify that lodging rates are consistent with GSA and DOS rate limits. When GSA or DOS rates are not obtained, officials should ensure that unsuccessful efforts are sufficiently documented.

**Response:** We are committed to having cost-effective controls in place; however, the MTA's travel approval process already requires numerous approvals. Requiring these approvers to verify lodging rates would be an onerous control to mitigate a compliance risk that does not currently exist. In addition, this would require additional staff time to monitor compliance with these new controls.

**Recommendation 4:** Actively monitor compliance with the travel policy directive that employees secure the lodging rates established by the GSA or DOS and, when unsuccessful, document the actions taken to obtain these rates.

**Response:** We will continue to adhere to the All-Agency Travel and Business Expense Policy Directive.

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Comment

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MTA Bus Company is an agency of the Metropolitan Transportation Authority, State of New York

Ms. Carmen Maldonado  
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Please feel free to contact us should you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Darryl C. Irick".

Darryl C. Irick  
President

2 Broadway  
New York, NY 10004  
646 252-7000 Tel  
646 252-7902 TTY

James Ferrara  
President



March 6, 2015

Mr. Thomas F. Prendergast  
Chairman and Chief Executive Officer  
Metropolitan Transportation Authority  
2 Broadway, 20<sup>th</sup> Floor  
New York, NY 10004

Re: NYS Comptroller Draft Audit Report – Selected Aspects of Travel Expenses  
Audit Report: 2013-S-79

Dear Mr. Prendergast:

With respect to the specific recommendations contained in draft audit report 2013-S-79, MTA Bridges and Tunnels (B&T), please note the following:

**Recommendation 1:** Revise the All Agency Travel Policy Directive to require the travel agent and MTA employees (who make their own lodging arrangements) to request GSA or DOS lodging rates, and when unsuccessful in obtaining such rates, to document the efforts to obtain them.

**B&T Response:** B&T will assist MTA staff in reviewing the Travel and Business Expense Policy Directive to determine if additional cost controls over lodging are required. The travel policy directive in effect does not require the exclusive utilization of the GSA or US Department of State per diem lodging rate. The policy states, in Section I Lodging, “that the State and Government discount rate should be secured whenever possible.” In addition, MTA’s policy states that lodging costs are reimbursed at actual but reasonable cost. Utilization of a single lodging rate is not required. The audit report noted that the GSA establishes the Government rate for all fifty states and certain US territories. However the GSA per diem lodging rate is the maximum that a federal government agency, and not a state authority, will reimburse or pay its employees without additional authorizations. This rate is not binding upon hotels or other lodging establishments, and many hotels have government discount rates that differ from the GSA lodging rate cited in the report. Also, most B&T employee travel is associated with conferences and seminars which offer discounted package rates which preclude the need to seek the GSA or DOS rate. Furthermore, the MTA Policy states that employees can make lodging reservations directly at a location if they are attending conferences, seminars or meetings at that location and the travel agent is unable to book alternative lodging that is cost effective, taking into account the cost of travel to alternative lodging. In such instances the use of GSA or DOS rates may be counterproductive, and serve to increase expenses if travel from an alternative rate site is costly.

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**Recommendation 2:** Formally direct officials who approve claims for travel reimbursements that they should verify that lodging rates are consistent with GSA and DOS rate limits. When GSA or DOS rates are not obtained, officials should ensure that unsuccessful efforts are adequately documented.

**B&T Response:** Although the MTA Policy in effect does not require the exclusive utilization of the GSA or US Department of State per diem lodging rate, B&T will review our practices to determine if additional cost controls are appropriate. B&T's travel authorization process requires numerous approvals. Requiring approvers to verify lodging rates would be a burdensome control to mitigate a compliance risk that is not required by current policy, and would entail additional staff time and cost.

**Recommendation 3:** Actively monitor compliance of MTA's travel agent with contract terms regarding the use of government rates for lodging.

**B&T Response:** B&T will continue to monitor our compliance with MTA's travel policy directive, which includes determining that MTA's travel agent obtains the lowest applicable and available lodging rates as per contract terms.

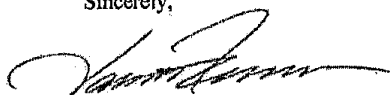
**Recommendation 4:** Actively monitor compliance with the travel policy directive that employees secure the lodging rates established by the GSA or DOS and, when unsuccessful, document the actions taken to obtain these rates.

**B&T Response:** Although the travel policy directive does not require the exclusive utilization of the GSA or US Department of State per diem lodging rate, B&T will work with MTA staff in reviewing the All Agency Policy Directive to help determine if additional controls over lodging costs are required, and will continue to monitor compliance with the directive.

**Recommendation 5:** Require B&T to develop agency-specific procedures consistent with the All Agency Policy Directive for the recording and claiming of reimbursement for eligible travel and business expenses, including adequate supporting documentation for such claims.

**B&T Response:** While we believe that the MTA All-Agency Policy contains adequate controls to ensure that employee travel is properly authorized and documented, B&T will develop agency-specific procedures consistent with the Policy Directive for the recording and claiming of reimbursement for eligible employees' travel and business expenses, and continue to ensure that adequate supporting documentation is maintained for such claims.

Sincerely,



James L. Ferrara  
President

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## State Comptroller's Comments

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1. The report does not conclude that the actions in question were “improper.” Rather, it concluded that Transit, MTA Bus and B&T did not try to obtain GSA rates and, as such, there was limited assurance that they obtained the lowest rates for hotel rooms. Furthermore, “approval by management” is not the same as “the lowest applicable and available rate.”
2. It is unclear that costs in excess of the GSA rate were unavoidable given the assertion that the travel agent attempted to find suitable lodging at the GSA /DOS rates, but was unable to do so. As noted in the report, a senior manager of MTA’s travel agent was unsure if MTA employees were eligible for the GSA rate, and thus, the travel agent generally did not seek GSA rates when booking rooms for MTA employees.
3. We acknowledge that large meeting rooms would not be subject to GSA rate limitations. However, we still question why sleeping accommodations (standard rooms) were not subject to GSA limits. Further, Transit officials should have planned well enough to avoid unnecessary costs for standard rooms and other facilities “on very short notice.” Also, based on Transit’s comments, we have revised our presentation of this matter in the final report.
4. We acknowledge that utilization of a single government lodging rate is not required and that GSA/DOS rates are not binding on hotels or other lodging establishments. Nevertheless, we maintain that the MTA Travel Policy Directive should be revised to require the travel agent and employees to determine if GSA/DOS rates are available and to document efforts to obtain those rates, when unsuccessful. Also, it is noteworthy that State agencies and other public authorities use GSA rates, except when there is a documented reason for exceeding such rates.
5. We question whether requiring supervisors who approve expense reports to verify the propriety of lodging rates would be an “onerous” task. GSA rates are readily available via multiple sources, including the Internet and reference cards. Comparing GSA room rates to the rates obtained by staff is relatively simple and not very time consuming.