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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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## **Travel and Entertainment Expenses**

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### **Metropolitan Transportation Authority: Headquarters and Capital Construction**

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# Executive Summary

## Purpose

To determine whether the expenses incurred by Metropolitan Transportation Authority (MTA) Headquarters and MTA Capital Construction for travel and entertainment were appropriate and documented for MTA business purposes. The audit primarily covers the period January 1, 2011 through October 2, 2013. Also, certain matters pertaining to the Chairman's Fund encompass the period from January 2011 through February 2014.

## Background

The 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, including MTA Capital Construction (MTACC), which is responsible for the planning, design, and construction of major MTA projects. The MTA has a Headquarters (MTAHQ), which provides administrative support services for the six constituent agencies.

The MTA issued the All-Agency Travel Policy Directive entitled "Travel and Business Expense," which pertains to MTAHQ as well as the MTA's constituent agencies. During the period January 1, 2011 to October 2, 2013, MTAHQ and MTACC spent \$1,217,483 on travel and another \$85,568 on entertainment.

## Key Findings

- MTAHQ and MTACC have opportunities to strengthen controls over travel and entertainment, which could help reduce certain costs. For example, MTAHQ and MTACC could utilize federal travel guidelines (established by the U.S. General Services Administration and the U.S. Department of State) pertaining to maximum allowable lodging rates. For the travel-related payments we reviewed, \$9,326 could have been saved if the federal lodging rate limits were applied.
- Certain travel transactions lacked proper prior approvals, statements of purpose, or other required supporting travel documentation (such as hotel invoices and receipts). Business office staff did not consistently ensure that all required approvals and supporting documents were included with employees' travel expense reports.
- We identified weaknesses in certain controls pertaining to the use of MTA corporate travel and procurement cards. For example, we reviewed 37 MTAHQ corporate travel card transactions and determined that 18, totaling \$46,045, did not have the required travel expense reports and supporting documentation.

## Key Recommendations

- Revise the All-Agency Travel Policy Directive to require MTA's travel agent and MTA employees to request lodging rates established by the U.S. General Services Administration or the U.S. Department of State, and when unsuccessful in obtaining such rates, to document those efforts.
- Advise supervisors who approve employee travel to verify that lodging rates are consistent with GSA and DOS rate limits. Also, advise such supervisors to ensure that unsuccessful efforts to

obtain GSA or DOS rates are adequately documented.

- Establish controls to ensure that travelers obtain proper prior approvals and submit travel justifications and all supporting documentation, as required by the MTA travel policy.

### **Other Related Audit/Report of Interest**

[Roosevelt Island Operating Corporation: Selected Aspects of Discretionary Spending \(2013-S-11\)](#)

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

**Division of State Government Accountability**

February 2, 2015

Mr. Thomas F. 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 Metropolitan Transportation Authority (MTA) Headquarters and MTA Capital Construction entitled *Travel and Entertainment 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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## 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, including MTA Capital Construction (MTACC), which is responsible for the planning, design, and construction of major MTA projects. The MTA also has a Headquarters (MTAHQ), which provides administrative support services for the six constituent agencies.

The MTA issued the All-Agency Travel Policy Directive entitled “Travel and Business Expense” (travel policy directive), which pertains to MTAHQ as well as the MTA’s constituent agencies. During the period January 1, 2011 to October 2, 2013, MTAHQ and MTACC spent \$1,217,483 on travel and another \$85,568 on entertainment, including annual staff holiday parties.

MTA established its Business Services Center (BSC) to centralize certain financial and administrative functions across its agencies, effective in 2011. Disbursements, including travel payments, are one of the functions of the BSC. Employees of MTAHQ and all constituent agencies, other than NYC Transit, are required to file travel request forms (to request prior approval to travel) and travel expense reports (to account for the costs of approved travel after completing a trip) through the BSC using standardized forms and processes.

According to MTA officials, a former chairperson established a fund in the 1990s called the Chairman’s Fund. At that time, the chairperson used his personal funds to create and replenish this account. MTAHQ has used the money in the Chairman’s Fund to cover expenses incurred to boost employee morale, such as annual holiday parties, service awards, and diversity events. The Chairman’s Fund is no longer funded with the Chairman’s money; instead, it receives monies from the MTAHQ’s employees’ Flexible Spending Account (FSA). (FSA funds are monies each participating employee sets aside through payroll withholding for health care costs. The employee selects a specific amount of money he/she wants set aside for the calendar year. If the employee does not use all the money, the remaining account balance is forfeited to the employer.)

In November 2012, the New York State Authorities Budget Office (ABO) recommended that public authorities adopt written policies that specify the proper use of discretionary funds. Included in the ABO’s listing of inappropriate uses of discretionary funds are celebrations for special occasions that do not directly relate to the purpose of the authority, such as catering for picnics and office or holiday parties.

## Audit Findings and Recommendation

MTAHQ and MTACC have opportunities to strengthen controls over travel and entertainment, which could help reduce certain costs. Specifically, MTAHQ and MTACC could utilize federal travel guidelines pertaining to maximum allowable lodging rates. For the sample of travel-related payments we reviewed, we determined that \$9,326 could have been saved if federal lodging rate limits were applied. In addition, we determined that certain travel transactions lacked proper prior approvals, statements of purpose, or other required supporting travel documentation (such as hotel invoices and receipts). Business office staff did not consistently ensure that all required approvals and supporting documents were included with employees' travel reports.

We also identified weaknesses in certain controls pertaining to the use of MTA corporate travel and procurement cards. In addition, we questioned some uses of monies from the Chairman's Fund, particularly as they related to annual holiday parties.

### Lodging Rates and Costs

MTA employees often travel on official business to test equipment, to attend training and conferences, and for other purposes. To help minimize travel costs, the MTA requires employees to obtain the most efficient pricing for transportation and lodging. The MTA further requires employees to use its official travel agent for travel services. The U.S. General Services Administration (GSA) establishes lodging rates for federal employees in the continental United States, and the Department of State (DOS) establishes rates for foreign countries. New York State agencies often use the GSA and DOS rates to help minimize travel costs. The MTA, however, does not require employees to attempt to obtain the GSA or DOS lodging rates or justify exceeding those rates.

The MTA has a centralized travel agency contract for booking air and rail fares, lodging, and car rentals. The contractor's representative stated that they were aware of the GSA rate and that the cheapest rate available through their system should be used at the time the trip is booked. However, the travel agent was unsure if the MTA was eligible for the GSA rate, and therefore the travel agent did not try to procure GSA rates for MTA employees. The agency placed 72 lodging transactions totaling \$38,688 on the behalf of MTAHQ and MTACC for the period January 1, 2011 through October 2, 2013. Of these 72 transactions, we determined that 34 exceeded the government's lodging rate by \$4,405.

We also examined 38 lodging transactions totaling \$24,392 that were not placed by the travel agent, and compared the lodging rates obtained by MTA staff with those established by the federal government. We determined that 26 out of 38 exceeded those rates by a total of \$4,921. For example, lodging for an MTA executive to attend the 150th anniversary of the London Underground exceeded the DOS maximum lodging rate by \$421. In another instance, lodging for an MTA employee to attend a conference in Chicago exceeded the GSA maximum lodging rate by \$277.

New York State and federal government travel policies require an employee to seek prior approval

from his/her agency's Finance Office when lodging will exceed the GSA or DOS rate. Although the MTA's travel policy directive states that State or federal government discount rates be secured whenever possible, it does not require formal approval to exceed these rates. The travel policy instruction does not tell employees and their supervisors how to determine the permitted government rate for lodging, nor does it clearly delineate when it is acceptable to exceed the government rate, or how to seek approval to exceed the rate.

Further, MTAHQ officials told us that they do not routinely review supporting documentation submitted by travelers claiming reimbursements, as otherwise required by the MTA's travel policy directive. In addition, the officials stated that the MTA's BSC is responsible for detecting a traveler's noncompliance with the travel policy directive. However, they did not provide any official documentation that the BSC was responsible for ensuring employees' compliance with the policy.

In their response to our preliminary findings, MTA officials indicated that employees generally complied with the existing travel policies. However, officials also indicated that they will revise MTA travel policy to require employees and the travel agent to document unsuccessful efforts to obtain the GSA and DOS rates for lodging.

## **Documentation of Travel Justifications and Approvals**

We reviewed 75 travel and entertainment transactions made by MTAHQ and MTACC staff, and found that 36 transactions totaling \$57,334 were not properly documented (as prescribed by the MTA travel policy directive). Specifically, the 36 transactions lacked proper prior approval, statement of purpose (travel justification), or supporting travel documentation (e.g., hotel invoice, registration receipt). In addition, MTAHQ executives did not properly document all their travel-related expenses. For example, one executive incurred expenses totaling \$9,768 for three trips: one to Geneva, Switzerland and two to London. This executive, however, did not submit any statements of purpose or justification illustrating how the travel in question related to the performance of his official duties.

When we presented these matters to MTAHQ officials, they informed us they generally do not review travel-related supporting documentation submitted by employees. Officials added that they rely on the BSC to identify employees' noncompliance with travel policy directives. Although MTAHQ officials are responsible for authorizing travel, the BSC is responsible for ensuring that travel-related documentation is complete and the required approvals are obtained. However, BSC staff did not consistently ensure that all required approvals and supporting documents were included with employees' travel reports (vouchers).

MTA officials generally agreed with our findings. In addition, officials plan to retrain BSC staff to reject any travel voucher that is not complete and correct. The MTA also plans to educate executives and employees on the prescribed travel policies and procedures.

## Use of Corporate Travel Cards

The MTA issues corporate credit cards to MTAHQ executive management for business and travel purposes. However, the MTA's travel policy directive is silent on the types of transactions it considers travel, travel-related, and/or business expenses. The travel policy directive also does not explicitly state what items the cardholder is not allowed to purchase using the corporate credit card.

Out of the 71 travel transactions we reviewed, 37 totaling \$60,912 were charged to MTAHQ corporate credit cards. Of the 37 transactions, 18 totaling \$46,045 did not have the required expense report with supporting documentation in the MTA BSC system. MTAHQ officials also did not provide any documentation to show the cardholder obtained the proper prior approvals before incurring the expense.

We question whether these charges were properly authorized or were actually incurred by the cardholder. For example, an MTAHQ employee traveled to California and charged \$3,400 to an MTA-issued corporate credit card. However, the traveler never filed the required expense report with supporting documentation after the trip. Another executive went to Geneva, Switzerland and spent \$1,289 using an MTA corporate credit card, but never filed the required expense report with supporting documentation. Also, one transaction (totaling \$1,204) was for a personal expense made at the Red Rooster restaurant in New York City. The cardholder reimbursed the MTA two months after making the purchase.

According to MTAHQ officials, they are no longer responsible for reviewing corporate credit card transactions since certain financial management responsibilities were transferred to the BSC in 2011. However, there was no official documentation stating that the BSC was responsible for approving employee travel and authorizing the related expenses. The BSC reviews the travel-related documents it receives to ensure a payment can be processed. As noted previously, however, BSC staff did not consistently ensure that all required supporting documents were included with employees' travel reports.

In responding to our preliminary findings, MTA officials agreed that all supporting documentation for their corporate cards should be maintained in the BSC system. Officials also stated they will require the BSC to perform monthly reconciliations of corporate card activity (to the related travel reports and accompanying supporting documentation) to account for all transactions on the cards.

## Use of Procurement Cards

The MTA issues procurement cards to make small purchases efficiently. To help ensure that procurement cards are used properly, the MTA established guidelines that prescribe what items can and cannot be purchased using those cards. For example, hotels, meals, entertainment, and gasoline are prohibited/restricted items. Also, the maximum amount that can be charged is limited to \$1,000 per transaction or \$10,000 per month. "Blocks" can be placed on procurement

cards to preclude purchases of goods or services from vendors with certain Merchant Category Codes (MCCs). (All businesses that accept credit cards have an MCC that corresponds to the nature of their business.) Generally, the MTA blocked MCCs that corresponded with businesses that sell prohibited items or services under the procurement card policy.

We reviewed 18 procurement card transactions totaling \$81,350. Of these 18 transactions, 12 totaling \$63,800 were for non-travel transactions; five totaling \$7,490 were for travel-related transactions; and one totaling \$10,060 was for an entertainment-related expense. We question the use of procurement cards for the latter six charges for travel and entertainment (totaling \$17,550) because they did not comply with MTAHQ's policies and procedures. For example, an MTAHQ executive used a procurement card to obtain meals and entertainment (totaling \$10,060) for the 2011 holiday party. There was no formal prior approval of this transaction, and it exceeded the limit of \$1,000. Furthermore, on three occasions, a procurement card was used to reserve hotel rooms for MTAHQ employees, with charges totaling \$7,290. On another two occasions, a procurement card was used to purchase \$200 of gas, again without proper prior authorization.

MTAHQ officials informed us that they lift the MCC blocks in times of emergencies for particular transactions and restore the blocks after the transactions are made. However, we determined that MTAHQ officials sometimes did not restore block codes after emergency purchases, and consequently, procurement cards were used to acquire prohibited items.

In responding to our preliminary findings, MTA officials stated they will educate staff on the procurement card policy.

## Use of the Chairman's Fund

We reviewed MTAHQ's annual holiday party expenditures for 2011, 2012, and 2013. MTAHQ employees paid part of the parties' costs, and the Chairman's Fund was used to offset the remaining costs. The types of costs and the funding of MTAHQ's holiday parties for 2011 through 2013 are summarized in the following table.

Type of Cost	2011	2012	2013	Totals
Food/Admin Fee	\$6,698.81	\$6,130.65	\$6,583.50	\$19,412.96
Open Liquor	3,361.19	2,915.12	2,845.06	9,121.37
Employee Gifts/Others/DJ	1,618.61	2,570.66	\$2,298.05	6,487.32
<b>Total Party Costs</b>	<b>\$11,678.61</b>	<b>\$11,616.43</b>	<b>\$11,726.61</b>	<b>\$35,021.65</b>
<b>Funding Sources</b>				
FSA	(238.72)	(4,061.67)	-	(4,300.39)
Employee Contributions	(3,535.00)	(3,535.00)	(4,550.00)	(11,620.00)
<b>Net MTA Expenses</b>	<b>\$7,904.89</b>	<b>\$4,019.76</b>	<b>\$7,176.61</b>	<b>\$19,101.26</b>

In 2011 and 2012, MTAHQ used an MTA procurement card and MTA checks to pay for the holiday parties. However, MTA policy prohibits the use of procurement cards for entertainment and meals. In 2013, an MTAHQ employee used a personal credit card to pay for the holiday party, and MTAHQ reimbursed this employee from the Chairman's Fund. For the three holiday parties (2011–2013), MTAHQ spent \$35,022, including \$9,121 on alcohol. MTAHQ collected just \$11,620 from the people who attended the parties. Thus, the remaining \$23,402 came from MTAHQ's Chairman Fund, including \$4,300 from FSA funds.

MTAHQ officials stated that operating funds were not used to pay for the holiday parties. However, forfeited employee FSA monies were spent on those parties. Since the unspent FSA monies were forfeited to MTAHQ, the funds were available to support standard MTAHQ operations. Based on the available documentation, we determined that all other MTA constituent agencies deposited forfeited FSA funds into their operating accounts. Consequently, we question MTAHQ's use of forfeited FSA funds to partially pay for the holiday parties.

Also, New York State Department of Taxation and Finance Publication 843 states: "An employee, officer, or agent of the organization may not use a personal check or personal debit or credit card to make tax-exempt purchases on behalf of the organization, even if that person will later be reimbursed by the organization." As noted previously, an MTAHQ employee used a personal credit card to pay for the 2013 holiday party. This employee also used an MTA tax-exempt certificate for the procurement, violating the restriction prescribed by Publication 843.

In their response to our preliminary findings, MTA officials indicated that they plan to review the use of the Chairman's Fund to pay for parties, and they will instruct staff on the proper use of MTA tax-exempt certificates. Officials also told us they would make provisions for expenses, which had traditionally been charged to the Chairman's Fund, in their comprehensive annual operating budget.

## Recommendations

1. Revise the All-Agency Travel Policy Directive to require MTA's travel agent and MTA employees to request the GSA or DOS-established lodging rates and, when unsuccessful in obtaining those rates, to document those efforts.
2. Advise supervisors who approve employee travel to verify that lodging rates are consistent with GSA and DOS rate limits. Also, advise such supervisors to ensure that unsuccessful efforts to obtain GSA or DOS rates are adequately documented.
3. Establish controls to ensure that travelers obtain proper prior approvals and submit travel justifications and all supporting documentation, as required by the MTA travel policy.
4. Ensure that all the supporting documents required to process payments for credit card charges are maintained by the BSC. Require the BSC to reconcile the travel expense reports to the credit card statements.

5. Establish controls to ensure proper review of procurement card transactions and prior approval, as required by the MTA policy and procedures.
6. Ensure that procurement card MCC blocks are restored timely after temporary suspensions for emergencies or other unusual circumstances have passed.
7. Deposit FSA forfeiture funds in MTA's operating account.
8. Ensure that sales tax-exempt certificates are used for official MTA business purposes only.

## Audit Scope and Methodology

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We audited travel and entertainment expenses by MTAHQ and MTACC to ensure that all transactions were appropriate and documented for MTA business purposes. Our audit primarily covers the period January 1, 2011 through October 2, 2013. With respect to the Chairman's Fund and holiday parties, we extended the audit period to February 2014. From January 1, 2011 through October 2, 2013, MTAHQ and MTACC processed 2,915 transactions for travel and entertainment totaling \$1,303,051.

To accomplish our objective, we reviewed policies, procedures, and guidelines related to payments for travel and entertainment expenditures (including the processing of travel expense reports). We interviewed MTAHQ and MTACC officials and employees to obtain an understanding of the internal controls related to travel and entertainment expenses. For expenditure classifications of travel and entertainment, we judgmentally selected a sample of payments for review, based primarily on the amounts of the transactions. We reviewed the supporting documentation for 98 selected transactions totaling \$301,510.

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 that 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 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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The audit was performed pursuant to the State Comptroller's authority as set forth in 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 comment. We considered those comments in preparing this final report and have attached them in their entirety to the end of it. In their comments, MTA officials agreed with seven of our report's eight recommendations. Officials also indicated that certain actions have been or will be taken to address the recommendations they accepted.

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 Metropolitan Transportation Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising them 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

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**Myron Goldmeer**, Audit Supervisor

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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

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



## Metropolitan Transportation Authority

State of New York

January 12, 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-047 (Travel and Entertainment 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 Robert Foran, MTA Chief Financial Officer, which address this report.

Sincerely,

A handwritten signature in black ink, appearing to read "T.F.P.", with a stylized flourish at the end.

Thomas F. Prendergast  
Chairman and Chief Executive Officer

Attachment

*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



## Metropolitan Transportation Authority

State of New York

January 7, 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

Dear Ms. Maldonado:

This letter responds to draft audit report 2013-S-047, "Travel and Entertainment Expenses." The MTA appreciates the opportunity to review the draft report and to submit this response.

The MTA is committed to having the proper controls in place to manage employee travel expenses and has a comprehensive corporate-wide policy in place covering its employees when incurring, approving, and claiming reimbursement for eligible travel and business expenses. Nevertheless, we will use these findings and recommendations to further strengthen our internal processes and reduce costs. Below are our comments with respect to the specific recommendations contained in the report:

### Lodging Rates and Costs

#### Recommendation 1:

*Revise the All-Agency Travel Policy Directive to require MTA's travel agent and MTA employees to request the GSA or DOS-established lodging rates and, when unsuccessful in obtaining those rates, to document those efforts.*

Response: We agree. MTA staff will review our Travel and Business Expense Policy Directive to determine if additional controls are needed to mitigate risk associated with lodging costs. 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 rate. The policy states, in Section I Lodging, that the State and Government discount rate (not limited to only GSA or Department of State) 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 discount lodging rate is not required. In the report it stated that the GSA establishes the Government rate for all fifty states, etc. However, the GSA per diem lodging rate is the maximum that a federal government agency will reimburse or pay its employees without additional authorizations. This rate is not binding upon hotels or other lodging establishments. In fact many hotels

have government discount rates that differ from the GSA lodging rate cited in the report. Other hotels limit the GSA rate to Federal Employees. In addition, our review of the transactions cited in the report indicates that many of the lodging cost in question were associated with attendance at MTA approved conferences or meetings which were being held at or near the facilities where the MTA employees were staying. MTA Policy states that employees attending conferences or meetings can make lodging reservations at the location hosting the event if they are unable to book alternative lodging that is cost effective (after taking into account the cost of travel to alternative lodging). MTA's recognizes 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.

**Recommendation 2:**

*Advise supervisors who approve employee travel to verify that lodging rates are consistent with GSA and DOS rate limits. Also, advise such supervisors to ensure that unsuccessful efforts to obtain GSA or DOS rates are adequately 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.

**Documentation of Travel Justifications and Approvals**

**Recommendation 3:**

*Establish controls to ensure that travelers obtain proper prior approvals and submit travel justifications and all supporting documentation, as required by the MTA travel policy.*

Response: We agree. The Business Service Center and MTA Comptroller's Office will re-emphasize compliance with the all-agency travel policy, with respect to approvals and documentation requirements, to MTA business travelers. In addition, the Business Service Center will retrain staff to reject employee expense reports if all documentation is not complete.

**Use of Corporate Travel Cards**

**Recommendation 4:**

*Ensure that all the supporting documentation required to process payments for credit card charges are maintained by the Business Service Center. Require the Business Service Center to reconcile the travel expense reports to the credit card statements.*

Response: We agree. The Business Service Center will establish a process to ensure that documentation is maintained after a credit card payment is made. In addition, the Business Service Center has implemented a monthly reconciliation of credit card expenses to travel expense reports. This monthly reconciliation will be an ongoing procedure going forward.

## Use of Procurement Cards

### Recommendation 5:

*Establish controls to ensure proper review of procurement card transactions and prior approval, as required by the MTA policy and procedures.*

Response: We agree. The MTA issues and authorizes the use of Procurement Cards because, overall, the savings from having cardholders buy certain small items directly are expected to exceed the savings in price that could result from the normal procurement process. The MTA has established controls and limits to both the dollar values and type of item that can be purchased. The MTA also ensures that only properly authorized individuals are permitted to have the authority to purchase certain goods and services through the use of procurement cards. During an emergency situation or under extraordinary circumstances the MTA's current procurement card procedure permits certain expenses which normally would be disallowed under procurement policy only with the approval of the Procurement Card Project Manager (Deputy Comptroller) and the MTA Chief of Staff. With the exception of the two emergency gas purchases, all of the other exceptions noted in the audit were approved by the Procurement Card Project Manager and the MTA Chief of Staff. The two transactions for gasoline purchases (\$100 each) were approved by the Procurement Card Project Manager and not the MTA Chief of Staff due to the timing, materiality and nature of the specific emergency.

### Recommendation 6:

*Ensure that procurement card MCC blocks are restored timely after temporary suspensions for emergencies or other unusual circumstances have passed.*

We agree. Procurement Card controls are maintained and in place at all times. The six exception transactions noted in the audit required the temporary override of the individual cardholder's controls by the Procurement Card Project Manager.

## Use of Chairman's Fund

### Recommendation 7:

*Deposit FSA forfeiture funds in MTA's operating account.*

We agree. The Chairman's Fund was established in 1982, more than 30 years ago by a former MTA Chairman. The intention of this Fund was to pay for employee-related activities, not operations. The Fund was supplemented over the years with unused employee Flexible Spending Account contributions. Effective for 2015, a separate budget line has been established to fund MTA employee-related activities and therefore the Chairman's Fund will not be needed to fund such activities going forward.

Recommendation 8:

*Ensure that sales tax-exempt certificates are used for official MTA business purposes only.*

We agree. As part of MTA Travel policy training we will incorporate a reminder regarding the appropriate use of sales tax-exempt certificates

Thank you again for the opportunity to respond to the draft report.

Sincerely,



Robert E. Foran  
MTA Chief Financial Officer