



STATE OF NEW YORK  
OFFICE OF THE STATE INSPECTOR GENERAL  
**Final Report**  
**January 11, 2010**

## SUMMARY OF FINDINGS/RECOMMENDATIONS

The New York State Inspector General determined that Patrick Morris, a New York State Department of Transportation (DOT) Senior Engineering Technician, charged \$8,311.23 in personal expenditures to his state-issued credit card. Morris was arrested and subsequently pleaded guilty to petit larceny. Morris was sentenced to pay a fine. Additionally, Morris has made full restitution to the state and has resigned from state service.

With a view toward preventing future misappropriation, the Inspector General examined DOT's oversight procedures and found weaknesses in regard to state-issued travel credit cards. The Inspector General recommended that DOT review and revise its policies and procedures to strengthen safeguards against abuse, as well as audit its travel card and voucher system for potential misuse.

The Inspector General also identified a number of steps all state agencies can take to improve oversight and controls to reduce the risk of credit card fraud. To that end, the Inspector General recommended that the Governor's Office of Employee Relations (GOER) issue a uniform statewide policy regarding travel card use.

## ALLEGATION

DOT's Investigations Bureau advised the Inspector General, based on a travel expenses audit, that Patrick Morris, a Senior Engineering Technician in DOT's Region 2 office in Utica, had failed to submit travel vouchers for more than a year, and when the vouchers were submitted, they failed to account for thousands of dollars of charges on Morris's state-issued travel credit card.

## SUMMARY OF INVESTIGATION

### **DOT's Travel Card Procedures**

DOT employs approximately 9,600 employees statewide, approximately 3,400 of whom have been issued travel credit cards. DOT policy provides that travel cards are to be used only for state work-related travel and associated charges. Personal use of the credit card is strictly prohibited. The cards have no transactional limit other than the

monthly charge limit of \$10,000. Credit card companies have established merchant codes for different categories of vendors which accept credit cards. With state-issued travel cards, acceptable merchant codes are established on a statewide basis via an agreement between Citibank and the Office of General Services (OGS). Under this agreement, while certain merchant codes are disallowed, any purchase that could relate to travel (i.e. purchases from businesses providing food, gas, restaurant or lodging charges even if they also sell products and services not related to state travel) are accepted by Citibank. DOT pays in-full all of its travel card accounts each month.

DOT distributes travel cards to agency employees through its main offices in Albany. For employees in regional offices, the card is sent to the chief administrative office in the region, normally the personnel officer. The employee then retrieves the card from the personnel office and signs an acknowledgement form indicating knowledge of proper usage and the penalties for misuse. Under current procedure an employee may contact DOT travel office directly and request a card without his or her supervisor's knowledge.

Purchases made on DOT travel cards are posted daily to DOT card holder accounts, reflecting charges made three to five business days earlier. Although the employee cardholder does not receive a bill or statement, the charges are available for review by computer and the employee is required to review them and report any and all fraudulent charges to DOT and Citibank. The employee cardholder is also required to account for the credit card charges by entering the charges on a travel voucher which the employee must submit electronically and in a "timely" manner to his or her supervisor. Receipts are only required for lodging and non-per diem meals.<sup>1</sup> The supervisor approves the voucher electronically and forwards the voucher to DOT Travel Unit. During the voucher review process, the supervisor may view the purchases entered on the individual travel voucher along with receipts provided, if any. However, the supervisor does not have the ability to review a subordinate's credit card account to ascertain if there are additional charges on the card which the subordinate did not enter on a travel voucher.

### **Travel-Credit Card Use of Patrick Morris**

Morris was employed by DOT for approximately 10 years and in 2006 was appointed as a Senior Engineering Technician. On May 7, 2007, Morris requested and was issued a state travel credit card by DOT. When he received the card by hand delivery in Utica, Morris signed an acknowledgement form stating, "You may use the travel card to pay for travel expenses when you are on official State business for authorized state transactions only. You may not use this credit card for personal charges." The form also warns that misuse of the card may result in disciplinary action or criminal prosecution.

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<sup>1</sup> The per diem rate varies based on the city/locality visited by the employee. For a twenty-four hour period of travel status, an employee is permitted a certain per diem dollar amount. For travel status for a period of less than twenty four hours, an employee may receive a predetermined allowance for breakfast and/or dinner. To receive reimbursement for a non-per diem breakfast or dinner, the employee must provide a receipt for the meal.

Travel was required as part of Morris's job inspecting DOT projects throughout DOT Region 2, which includes Fulton, Hamilton, Herkimer, Madison, Montgomery and Oneida counties. After being issued the card, Morris was assigned to projects which necessitated overnight hotel stays. As with many other staff members in DOT field construction positions, Morris necessarily reported to a different supervisor every time he was assigned to a new project. The supervisor, usually an engineer or principal engineering technician, oversaw the project work and electronically approved his travel vouchers and time cards.

DOT Travel Unit supervisor Kristi Kilmartin advised the Inspector General that during the fall of 2008 she observed that Morris had charges on his state-issued travel card that were approximately one year old and that had not been entered on a voucher as legitimate travel-related expenses. Kilmartin asked Morris for an explanation of the unsupported charges. Morris informed Kilmartin that while he was responsible for some of the purchases other charges appeared fraudulent. According to Kilmartin, although Morris claimed that his card was being used by someone other than him, he admitted that he was in possession of the card and that it had never been stolen. Morris promised to submit additional travel vouchers that would include the charges in question. According to Kilmartin, although Morris subsequently submitted two additional vouchers regarding some of the charges, thousands of dollars of unsupported charges remained on his credit card account which he had not entered on the vouchers as legitimate travel expenses.

Almost simultaneous to her inquiry of Morris, Kilmartin was contacted by the Office of the State Comptroller (OSC), which independently reviews travel card accounts. OSC had become suspicious that charges Morris had made on his travel card at a Walgreens Pharmacy near his home were improper. OSC obtained receipts of the Walgreens transactions and determined that at least some of the approximately \$1,900 in purchases were for prepaid gift cards and charge cards. These improper purchases were among the charges on Morris's card that had not been included in his submitted travel vouchers. Based on these revelations, the DOT Investigations Bureau reported the matter to the Inspector General.

The Inspector General interviewed Vincent Militano and Brian Solon, supervisors of Morris on various projects in DOT Region 2 who had approved his travel vouchers. Consistent with the process described above, both supervisors acknowledged that they had approved Morris's vouchers by computer but lacked the ability to access Morris's credit card statement containing all charges made on his travel card. Solon stated, however, that in reviewing Morris's vouchers, he became concerned about the large number of transactions on each voucher and brought the matter to his supervisor, Stephen DeRosa, the Region 2 Construction Supervisor.

DeRosa advised the Inspector General that he, too, questioned Morris about the excessive number of charges on his vouchers. Morris claimed that someone in Personnel had informed him that he was permitted to make personal charges to the card as long as he listed the charges on a voucher and the total amount of the personal charges was less than or equal to the reimbursement amount due him by the state for the aggregate of mileage incurred and meals consumed while traveling.

DeRosa said that he did not believe that Morris's claim was correct. DeRosa advised the Inspector General that he discussed Morris's claims concerning permissible card use with other staff in Region 2, DeRosa could not remember exactly who, and that the people to whom he spoke believed that cardholders could use the cards for purchases as long as the purchases totaled less than the total reimbursable amount on the travel voucher. Both Morris's claim and the information DeRosa gleaned from his co-workers were incorrect, as under unambiguous DOT policy travel card purchases must be for legitimate travel-related expenses regardless of their value, singly or combined. However, based on this erroneous information, DeRosa took no further action regarding Morris's vouchers.

DOT Travel Unit voiced concern about Morris's travel card use to an upper-level supervisor, Regional Construction Engineer in Region 2 Christopher Neiley. Neiley advised the Inspector General that he was informed that Morris had not submitted travel vouchers which covered all of his credit card purchases. Neiley directed Morris to remedy the situation; however, when Neiley asked Morris several weeks later if he had taken care of the matter, Morris responded, "I can explain all of this," but he never did. At the time he was interviewed by the Inspector General, Neiley said he had not heard anything more from the Travel Unit and assumed that Morris had submitted the necessary paperwork.

When interviewed under oath by the Inspector General, Morris admitted that he repeatedly used his state-issued travel credit card for unauthorized personal expenditures: pre-paid charge cards, prescription medications, and various items for his personal benefit and the benefit of his family. Morris stated that he used the card for personal purchases while on vacation, holiday, and sick leave. Morris confessed that he continued to use the card improperly even after Kilmartin questioned him about his usage. Morris stated that, at the time of his interview with the Inspector General, there existed personal charges on the card totaling more than \$8,000 that he had not entered on travel vouchers.

The Inspector General's examination of Morris's charge account revealed that in the approximately 19 months he possessed the card, Morris made purchases totaling \$17,741.19. Of this total, \$8,311.28 represented charges Morris admitted were of a personal nature unrelated to state business. The outstanding charges dated from September 26, 2007, until November 30, 2008, shortly before DOT confiscated the card from Morris.

On February 27, 2009, Morris was arrested by the Inspector General and Utica Police Department. He was charged with Larceny in the Third Degree, a class D felony; Defrauding the Government, a class E felony; and Official Misconduct, a class A misdemeanor. Morris was prosecuted by the Oneida County District Attorney and subsequently pleaded guilty to Petit Larceny, a Class A Misdemeanor. He was also fined \$1,000 and has made full restitution to DOT. He resigned from state service on May 6, 2009.

### **Credit Card Use at State Agencies**

The State of New York spends more than \$100,000,000 annually for state employee travel. DOT expends more than \$8,000,000 a year for travel for its nearly

3,400 cardholders. The Inspector General conducted a review of the current controls over credit card usage by state employees to determine whether improvements could be implemented to prevent future misuse.

Three state agencies are involved in the New York State travel card program: (1) the Office of General Services (OGS) which entered into the contract with Citibank Visa and is responsible for administration of the Citibank Visa card system; (2) the Governor's Office of Employee Relations (GOER) which established the terms and conditions of travel card use for state employees including, but not limited to, setting the spending limit and authorizing the types of business where the card can be used by designating permissible "merchant codes"; and, (3) the Office of the State Comptroller (OSC), which audits the travel card system and maintains a website that delineates travel card use terms and conditions.

Individual agencies also play a role in the travel card program. Each agency is required to request a card for its employees, administer the use of the individual cards, audit individual employee accounts, and pay the bill for its employees' travel card accounts on a monthly basis

The Inspector General met with OSC Audit Supervisor Katie Gavigan to discuss potential improvements to the internal controls of the credit card system on a statewide basis. Gavigan advised that the state lacks a computer system that can reconcile travel card purchases with travel vouchers. Instead, auditors must individually compare each charge with its corresponding voucher to determine if the charge has been properly transferred, or allocated. However, OSC is able to review employees' credit cards accounts for questionable charges. In this review, OSC examines the dates of purchase, location of purchase, type of merchant, and other information to "flag" questionable purchases. OSC then may contact the merchant to determine the type of merchandise purchased with the travel card. If the transaction appears improper, OSC refers the questionable charge to the employee's agency for further inquiry. As noted, it was this procedure that OSC used to uncover Morris's improper charges at Walgreens Pharmacy, resulting in a referral to DOT.

Gavigan was aware of no reason, other than possible computer logistics, why oversight of individual travel card use could not be decentralized to field supervisory staff. This decentralization would allow supervisors with greater personal knowledge of the employees' travel activities access to subordinates' credit card account information. As noted, supervisors currently are only able to review those charges a subordinate includes on a travel voucher. Gavigan offered various scenarios of how supervisors could review subordinates' credit card reports: (1) grant supervisors computer rights to administratively review their subordinates' accounts; (2) grant computer rights to a single "local" administrator to review cardholder accounts; (3) require that an agency's central travel unit email account information to supervisors or local administrators; or (4) require cardholders to provide their supervisors with a printout of their full account history on a monthly basis. Of particular note, Gavigan agreed that supervisory approval should be required before a credit card is issued to a state employee.

While OSC performs an audit function, GOER establishes many of the policies on card use. The Inspector General interviewed GOER Assistant Director Craig Dickinson,

who has been involved with the state travel card program since the early 1980s. Originally, the state contracted with American Express, and employee cardholders paid their own monthly bill themselves, receiving reimbursement for state travel-related expenses upon submission of travel vouchers. Under the American Express program, if an employee charged personal items to the state-issued American Express card, it was of no consequence to the state as the employee was required to pay the full balance on the card each month. It is this predecessor system of employee payment of the credit card bills and reimbursement by the state which appears to be the source of the erroneous information discussed by staff in DOT Region 2 that Morris could charge up to the limit on his state credit card so long as the charges were eventually posted to a travel voucher.

Under the current Citibank travel card program, while each employee has an individual credit card account, the employing state agency pays its employees' card balances every month. As the state is paying the credit card bill in full each month, state employees are not permitted to use the state-issued card for *any* personal purpose. It is important to note that the travel card program is entirely voluntary: employees may choose to use their own credit cards and submit a voucher to their agency for reimbursement of expenses. If an employee chooses to accept a Citibank state travel card, however, the employee is bound by the travel card rules set by GOER and their respective agencies.

Dickinson stated that no bar exists to supervisory involvement in the credit card program, including issuance of cards and review of card purchases. Dickinson advised that GOER sets the monthly travel card spending limit, and may reduce the limit for all employees. Dickinson was concerned, however, that setting the default limit too low could result in the denial of a travel card by a merchant – potentially stranding a traveler or creating other hardships. For example, a monthly limit of \$500 would be unreasonable because it would not cover a week of hotel stays in New York City. The current monthly limit of \$10,000, however, appears to be excessive and susceptible of abuse. Therefore, Dickinson believed that a reasonable default limit should be ascertained. According to OSC, the average monthly credit card use for travel is \$556.18 per card holder, with the highest charge balance being \$105,964.87 to a centralized travel card. Spending at the 90<sup>th</sup> percentile, i.e., 90 percent of users spend this amount or less, is approximately \$3,400.<sup>2</sup> If that spending limit were set, frequent travelers could apply, on an as-needed basis, for an increase in the default monthly charge limit.

Regarding submission of vouchers, Dickinson stated that each agency could set its own time limit, not under 30 days, for an employee to submit travel vouchers. Dickinson believes that the time limit should be flexible based on agency and/or department practices. Dickinson stated, however, that if charges exceed six months without being allocated to a travel voucher, the card should be canceled by the agency. Indeed, if DOT had revoked Morris's card privileges when his charges lapsed six months without being allocated to a travel voucher, the loss to the state would have been under \$2,500 rather than the more than \$8,000 uncovered in the Inspector General's investigation. In

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<sup>2</sup> This figure may be misleading as department travel cards are included in the average. Department travel cards are used for large functions or groups of people who have not been issued a travel card because they travel infrequently. Department travel card purchases can exceed \$100,000 a month depending on activity levels.

addition to canceling a travel card, agencies also can engage in progressive discipline to enforce the rules for travel card use by a recalcitrant employee.

As OGS is the state agency that contracts with Citibank for the travel card program, the Inspector General reviewed the contract and also met with OGS Director of Financial Management Linda Decker and members of her staff. They advised that each agency receives a monthly bill from Citibank and is responsible for paying the monthly balance on a timely basis. Agencies may earn cash rebates (similar to air mileage rebates for private individual credit card customers) depending on the timeliness of the payment of the full balance due. Under the contract, charge disputes must be submitted to Citibank within 60 days of purchase, otherwise Citibank will not process the dispute and no refund for the disputed item will be remitted to the agency.

OGS officials confirmed that personal use of the travel card is not permitted. They further emphasized that travel card holders may not purchase food on their travel card when they are not due meal reimbursement and then deduct the food cost from mileage reimbursement they may be legitimately due.<sup>3</sup> In other words, the state travel card may not be used to “front” money to state employees.

OGS officials stated that mandatory training for all card recipients helps ensure compliance with rules governing card use. Additionally, OGS travel staff reviews OGS employee charges for appropriateness on a daily basis. OGS currently uses the “Expense Anywhere” financial software program to monitor and account for travel card use. DOT uses an older version of the program that includes fewer travel card reconciliation functions. None of the current versions of the program, however, permits supervisors to review credit card purchases unallocated to a travel voucher or creates a simple report detailing older unallocated charges on an agency-wide basis. To determine the age of unallocated charges, each agency must review individual charge card accounts.

OGS officials advised that OSC, with the assistance of the Office for Technology, is currently devising a statewide accounting system, the New York State Financial Management System (NYSFMS). This system is projected to be operational for travel accounting purposes in April 2011.

Robert Barbato, Business Process Lead for the NYSFMS, advised the Inspector General that the project, still in the planning stages, is intended to provide a comprehensive financial management system that will, among other capabilities, reconcile credit card purchases with travel vouchers, and reject inappropriate expenses and purchases made outside the travel period. This new system should permit access to the agency’s travel or audit unit as well as to the supervisor, and will be utilized on a statewide basis across all agencies. Additional internal controls should be possible within the new system including the ability to limit specific types of purchases. Currently, the credit-card system merely permits the state to limit the type of merchants where the card is accepted.

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<sup>3</sup> Employees who are engaged in travel for the state, but are not traveling overnight or sufficiently outside normal working hours to be due a meal reimbursement, may only charge actual travel costs such as gasoline, train tickets, parking fees, etc., on the state travel card and must provide a receipt with their voucher for such purchases.

## FINDINGS AND RECOMMENDATIONS

The Inspector General found that DOT employee Patrick Morris improperly used a state-issued travel credit card to make unauthorized, personal purchases totaling \$8,311.23 during the period September 27, 2007 through November 30, 2008. Morris was arrested and later pleaded guilty to a criminal charge, was fined, and made full restitution to DOT. He has resigned from state service.

The Inspector General found weaknesses in DOT's oversight of employees' use of state-issued credit cards. These weaknesses included, but were not limited to, a lack of timely reconciliation between an employee's voucher and credit card statement. In Morris's case, charges remained on Morris's travel card for approximately a year without being allocated to a voucher. The Inspector General recommends that DOT review its existing policies and procedures, and implement additional controls. (The Inspector General notes that as of July 1, 2008, DOT disallowed the use of cash advances for travel and required the use of either a state-travel card or reimbursement through the travel voucher system.) Other improvements might include authorizing supervisors who approve vouchers to also endorse the issuance of travel cards to his/her subordinates and review all charges to the travel-card accounts of their subordinate staff. Additionally, rather than the currently vague requirement that submissions be "timely," DOT should consider a definitive time-frame in which all travel vouchers be submitted (i.e., within 30 days after the end of the month within which the charge was incurred), and basing monthly charge limits on the actual needs of a traveling employee. It is also recommended that DOT undertake an audit of outstanding travel card accounts for possible additional misuse.

The Inspector General's investigation also revealed that the Region 2 Construction Supervisor, and possibly other staff, misunderstood basic rules relating to the appropriateness of travel-related expenses. It is recommended that DOT address this problem through training or other means.

With respect to statewide travel card issues, the Inspector General further recommends that GOER issue a uniform state travel policy which contains the following limitations/requirements:

1. No personal use of state travel credit cards;
2. All travel vouchers must be submitted no later than 45 days after travel (an earlier recommended time frame may be set by each agency);
3. Receipts should be required for all purchases other than per diem meals;
4. Travel credit card accounts with unallocated purchases older than six months must be cancelled by the issuing agency;
5. All travel cards must be approved by the applicant's supervisor prior to issuance;
6. All travel must be subject to a pre-approved weekly itinerary or similar control device;
7. Mandatory training for all state travel card holders – failure to attend a training session should result in the cancellation of the travel card; and
8. Failure to follow the uniform travel policy should lead to discipline or criminal prosecution as warranted.

The Inspector General further recommends that GOER and OGS reduce the monthly credit card limit for all travel card users to \$3,000 per month, or another amount deemed appropriate. To the extent that an individual traveler may require a higher limit, a standardized application for an increase in the travel-card limit should be developed. Additional controls should be discussed with Citibank and implemented to prospectively limit credit-card fraud.

**Responses of the Department of Transportation, Office of General Services,  
And Governor's Office of Employee Relations**

The Department of Transportation advised the Inspector General that since February 2009 it has required employees to reconcile credit card expenses within 30 days. DOT advised that it had uncovered evidence of Morris's credit card abuse in an audit of travel expenses, resulting in the referral to this office. DOT further advised that it supports the Inspector General's recommendation to reduce individual monthly credit card limits to \$3,000.

The Office of General Services advised the Inspector General that it is "working with GOER to determine the minimally acceptable monthly [credit card limit] for the vast majority of state employees and to create a standardized application for requesting increased limits." OGS also said it will discuss additional controls with Citibank to prospectively prevent credit card fraud.

The Governor's Office of Employee Relations advised the Inspector General that many of the recommendations should be instituted on an agency specific basis. GOER further advised that, in consultation with OGS and OSC, it is "willing to consider establishing a lower monthly limit as suggested."