



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 6, 2018

Ms. RuthAnne Visnauskas
Commissioner/CEO
New York State Homes and Community Renewal
38 State Street
Albany, NY 12207

Re: Report 2018-BSE7-01

Dear Commissioner Visnauskas:

Our office examined¹ travel expenses a New York State Homes and Community Renewal (HCR) rent inspector incurred during calendar years 2014, 2015, and 2016. These included expenses for rental vehicles and fuel to conduct rent inspections throughout the New York metropolitan area. The objective of our examination was to determine whether (i) the expenses were incurred for business or personal purposes, and (ii) HCR reported any personal expenses appropriately.

According to the State Travel Manual, travel between an employee's home and official station (the employee's usual work location) is considered commuting and should not be reimbursed. Also, employees who use rental vehicles for personal purposes must reimburse the State for any cost to the State incurred as a result of personal use. Agencies are responsible for reporting the amount of reimbursed commuting costs as supplemental wages of the employee, which are subject to taxes.

The employee's official station was New York City, and all of his assignments (alternate work locations) were within 35 miles of his official station. According to the State Travel Manual, the employee was not in travel status during the initial daily commute from his home because his alternate work locations were within 35 miles of his official station. Therefore, the employee was not entitled to reimbursement for expenses to travel from his home (or rental vehicle pick-up location) to his first stop in the New York metropolitan area, as these are commuting costs and, thus, personal expenses.

Specifically, the expenses claimed for the employee's travel throughout the New York metropolitan area to conduct rent inspections, and for the rental vehicle and fuel used for this purpose, were appropriate. However, the travel between the employee's home or rental vehicle

¹ We performed our examination in accordance with the State Comptroller's authority set forth in Article V, Section 1 of the State Constitution, as well as Article II, Section 8(1) and (7), and Article VII, Section 111 of the State Finance Law.

pick-up location and the New York metropolitan area, which was up to 91 miles one way, was commuting, and the fuel costs the employee charged to the State for this commuting were personal expenses. HCR was required to report these added expenses as supplemental wages of the employee, but HCR did not report them.

Since the employee did not keep track of his personal use of the rental vehicle, to determine the value of the reportable fuel costs, we calculated the employee's daily commuting miles and apportioned the fuel costs accordingly. As a result, we determined the employee incurred \$3,543, \$2,556, and \$1,838 in personal commuting expenses during calendar years 2014, 2015, and 2016, respectively.

We notified the employee of these taxable expenses in a letter issued to him on March 5, 2018. The employee did not provide any additional information to refute these amounts. As a result, our Office amended his W-2s for calendar years 2014, 2015 and 2016.

We shared a draft report with HCR officials and considered their comments (Attachment A) in preparing this final report. HCR officials agreed with our recommendations and stated that they have begun taking, or will take, actions to (i) ensure that when an employee uses a vehicle for personal use that any applicable expenses are reported as supplemental wages, (ii) ensure that employees reimburse the State for any costs associated with using a vehicle for personal use, (iii) create an orientation packet for new employees outlining the employee's travel-related responsibilities, (iv) ensure that all travel information is readily accessible for employees and supervisors, and (v) reinforce travel policies by sending out an agency-wide e-mail reminder to staff.

Recommendations

- 1) *Ensure employees adhere to State travel expense reimbursement policies; in particular, by recording and reporting personal use of rental vehicles.*
- 2) *Ensure employees reimburse the State for the cost of any charges incurred when using a rental vehicle for personal use.*
- 3) *In instances where employees fail to reimburse the State for these costs, report supplemental wages for employee travel expenses related to personal use of rental vehicles.*

We thank the management and staff of the New York State Homes and Community Renewal for the courtesies and cooperation extended to our auditors. Since your response to the draft report is in agreement with this report, there is no need for a further response unless you feel otherwise. If you choose to provide a response, we would appreciate receiving it by August 6, 2018.

Sincerely,

Bernard J. McHugh
Director of State Expenditures

Encl: Attachment A

cc: Michael Demarco, Director of Internal Audit
Stacey Mickle, Director of Finance
Diana Nebiolo, President, Office of Professional Services
Daniel Buyer, Assistant Commissioner/Upstate Director, Office of Housing Preservation



**Homes and
Community Renewal**

**Division of Housing
and Community
Renewal**

ANDREW M. CUOMO
Governor

RUTHANNE VISNAUSKAS
Commissioner/CEO

June ¹⁹ 4, 2018

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

Dear Mr. McHugh:

The Division of Housing and Community Renewal (DHCR) has reviewed the Office of the State Comptroller's (OSC's) draft audit report 2018-BSE7-01 regarding travel expenses an inspector incurred. Thank you for the opportunity to respond to the draft report.

We agree with the findings and recommendations identified in the report. DHCR has taken or will take the following actions to address the three (3) recommendations:

- If there is a situation where a traveler uses a vehicle for personal use, DHCR will work with the Business Services Center (BSC) to ensure applicable travel related expenses are reported as supplemental wages.
- If there is a case where a traveler fails to reimburse a vehicle for personal use, DHCR will work with the Business Services Center (BSC) to ensure the employee reimburses the State for applicable costs.
- DHCR has created an orientation packet that is provided to new employees which outlines a traveler's responsibilities.
- DHCR has recently reviewed its intranet page to ensure all travel information is readily accessible for employees and supervisors. The site provides multiple resources including access to the OSC Travel Manual, the BSC Travel and Expense Supervisor 101 training and the BSC traveler 101 training information. These resources state that commuting costs are never reimbursable and travelers must reimburse the state for any personal use of rental vehicles.
- DHCR will further reinforce travel policies by sending out an agency wide email reminder to staff advising them of traveler and supervisor responsibilities and referring them to the resource available on the agency intranet.

If you should have any questions regarding this response, please reach out to Michael DeMarco at (518) 473-8443.

Sincerely,

A handwritten signature in black ink, appearing to read "Diana Nebiolo". The signature is fluid and cursive, with a large initial "D" and a long, sweeping tail.

Diana Nebiolo
Deputy Commissioner of Finance and Administration

cc: Michael DeMarco, Director of Internal Audit
Stacey Mickle, Director of Financial Administration