



OFFICE OF INTERNAL AUDIT AND MANAGEMENT SERVICES

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September 4, 2001

Mr. William P. Challice
Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street, 21st Floor
New York, NY 10038

Dear Mr. Challice:

As required under Section 170 of the Executive Law, I am responding on behalf of Chancellor Matthew Goldstein regarding actions taken with respect to the State's final audit report of selected office equipment procurement practices at The City University of New York (2000-S-19).

As you know, the University and three senior colleges (Hunter, Medgar Evers and Queens) that were selected for audit responded previously to the audit findings and recommendations. The responses, which were included in the final report, addressed the audit exceptions as follows:

Hunter College

Of the 1,495 computers, printers and copiers purchased by Hunter College during the audit period, the auditors found 2 copiers that were purchased in excess of the State contract price. For these 2 copiers, Hunter negotiated a legal settlement that resulted in the copier vendor receiving a fraction of the billable charges.

Medgar Evers College

Of the 425 computers, printers and copiers purchased by Medgar Evers during the audit period, the auditors reported that the College was currently overpaying for 1 copier. The College disputed this finding and provided documentation indicating that the copier's purchase price included accessories (which increased the price). The auditors initially dismissed the documentation on the grounds that the accessories were incompatible. When the accessories were determined to be compatible, the auditors then found a problem with the copier's serial number that differed slightly from the number reported by the vendor for that machine (an apparent reporting error). The College indicated that this copier was the only one of its kind on campus and that the increased price of this copier was due to the accessory items connected to the machine. Thus, the College continues to maintain that an overpayment situation does not exist regarding this copier.

Queens College

Of the 103 copiers located at Queens College and CUNY Law School, the auditors identified 11 copiers that were not purchased by the Law School at the lowest available price. The Law School took responsive action regarding the concerns raised by the auditors and suspended monthly payments for these copiers as well as for the maintenance services supporting these machines. The Law School's initial efforts to resolve the pricing problem with the vendor resulted in an account credit of \$47,587. The response went on to say that discussions were still ongoing with the vendor.

Since submitting this response, the University has continued discussions with the vendor in an attempt to negotiate a settlement. These discussions have recently provided some optimism about the possibility of a settlement. Accordingly, the University plans to pursue these discussions as long as progress is made in the negotiations. The University intends to exhaust all avenues or approaches for resolving this matter before resorting to legal action, which is oftentimes costly and counterproductive. The University will provide your Office with periodic updates on the status of these negotiations.

With regards to the recommendation about college purchasing agents reviewing all procurement sources to ensure selection of the lowest price, this matter was addressed at the University's annual purchasing and accounts payable training seminar held in May 2001. The University Contracting Office sponsors this annual training seminar (with the participation of the State Comptroller's Bureau of Contracts and State Expenditures). The seminar provides training on a variety of internal control topics and issues.

If you have any questions regarding this follow-up response, please call me at (212) 997-5820.

Sincerely,



Louis Chiacchere

c: Chancellor Matthew Goldstein
 President Jennifer J. Raab
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