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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 27, 2001

Mr. Robert L. King
Chancellor
State University of New York
State University Plaza
Albany, New York 12246

Re: Report 2001-F-8

Dear Mr. King:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the State University of New York (SUNY) College at Cortland as of March 20, 2001, to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 99-S-13). Our report, which was issued on December 30, 1999, reviewed the effectiveness of College controls over revenues and equipment assets for the period July 1, 1996 through June 30, 1999.

Background

The College at Cortland (College) is one of 13 arts and science colleges in the SUNY system. The College offers 45 undergraduate and 24 graduate programs. During the Fall 2000 semester, the College had 5,645 undergraduate students and 1,530 graduate students. College expenditures during the 1999-2000 State-fiscal year totaled about \$47.1 million.

For the 12 month period ended June 30, 2000 the College collected \$45 million from student tuition, room rent, meal plans, and other sources and reported \$1.6 million of student accounts receivables. The College's Bursar's Office deposited about \$37 million of this revenue into the College's local depository bank. The remaining revenue, primarily student financial aid, is deposited into an account maintained by SUNY System Administration.

In 1999 the College converted from a Triton to a Banner system for student registration and revenue accounting. The College uses an in-house database application, in conjunction with SUNY's Property Control System, to account for equipment items that cost over \$1,500 and computer items that cost over \$1,000.

Summary Conclusions

In our prior audit, we found that the College had not established a strong control environment for revenues and equipment. The College did not implemented recommendations to correct some of the significant control deficiencies cited in previous audit reports. The College had not developed necessary control procedures to reduce risks, and did not provide adequate training or guidance to some employees with significant roles in the control system. In addition, management had not monitored the effectiveness of the existing system of control over College revenues and equipment. Specifically, we found control weaknesses over the revenue collection and processing activity in the Bursar's Office. This included an inadequate separation of duties; poor controls over student refund checks; the lack of timely completion of bank reconciliations and weakness in computer access to student accounts. In addition, we found that equipment control procedures were inadequate. For example, assignment of equipment control responsibilities had not been established at the unit level, annual equipment inventory had not been completed and there was poor security in the computer storage areas. Further, we were unable to account for 27 items (23 percent) of the items in our equipment sample.

In our follow-up review, we found that College officials have made significant and commendable progress in improving controls over both revenue and equipment.

Summary of Status of Prior Audit Recommendations

College officials have implemented all thirteen prior recommendations.

Follow-up Observations

Recommendation 1

Further develop and maintain an operating style and philosophy that formally recognizes and supports the control components of risk assessment, control activities, communication, and monitoring for revenue and equipment.

Status - Implemented

Agency Action - The attitude of College officials toward risk assessment, control activities, communication and monitoring in both the revenue and equipment processes is demonstrated by the implementation of recommendations contained in our prior audit report.

Recommendation 2

Demonstrate management support toward good internal control by being responsive to information developed through prior external audits.

Status - Implemented

Agency Action - Current management is responsive to prior audits. College managers have been meeting regularly to assess progress in implementing procedures to address prior audit recommendations.

Recommendation 3

Adequately separate duties within the Bursar's Office to address the control weaknesses discussed in our report. Where adequate separation of duties is not practical, implement compensating controls.

Status - Implemented

Agency Action - While the three cashiers still collect cash, adjust student accounts and distribute refund checks, the College has established adequate compensating controls. The College has procedures to ensure that the work of the employees performing the cashiering function are reviewed daily by an independent source and an employee outside the Bursar's Office does the bank reconciliations. Further, procedures have been established to ensure that refund checks are not on hand for long periods of time and that all mail receipts are restrictively endorsed.

Recommendation 4

Restrictively endorse mail remittances upon receipt.

Status - Implemented

Agency Action - The College has a policy to restrictively endorse checks as they are received. Our testing of transactions identified that this policy is being followed.

Recommendation 5

Establish policies and procedures that restrict access to refund checks and ensure timely distribution or redeposit of unclaimed checks.

Status - Implemented

Agency Action - The College has established a procedure to restrict access to refund checks. All checks are locked in the cashiers' drawers when the cashiers are away from their stations. Further, checks are locked in a vault at night and only the Bursar, Assistant Bursar and Business Officer can open the vault. The College also has established written procedures to ensure refund checks are distributed timely. Our testing identified that these procedures are being followed.

Recommendation 6

Establish policies and procedures for performing bank reconciliation in a timely, accurate and efficient manner, including the requirement that check signatures and endorsements be reviewed during the reconciliation.

Status - Implemented

Agency Action - The College has developed a General Checking Account Bank Reconciliation Procedure and has brought the reconciliations up to date. An employee outside the Bursar's Office completes the reconciliation, including the review of signatures and endorsements.

Recommendation 7

Establish comprehensive policies and procedures for strengthening access controls over computerized revenue records by:

- *requiring that established user IDs be periodically reviewed to determine that they continue to be appropriate;*
- *deleting in a timely manner those users IDs that pertain to former employees;*
- *discontinuing the practice of using generic user IDs; and*
- *providing for the review and follow up of security violation logs, limiting the number of potential invalid sign-on attempts, and disconnecting computer terminals that remain connected, but idle for predetermined periods.*

Status - Implemented

Agency Action - The College has developed policies concerning each employee's responsibilities to use administrative information systems in an effective, efficient, ethical manner. It indicates that access to administrative systems is provided on a "need to know" basis conforming to SUNY guidelines. Another more specific policy relates to ensuring that only appropriate users have access to accounts in the Banner System. Our reviewed determined that the College makes periodic checks to determine that all users have appropriate access, former employees are deleted from user status, the College's Bursar's Office does not have generic user IDs and steps have been taken to increase the security over the BANNER System.

Recommendation 8

Develop and communicate adequate written equipment control procedures specific to the campus.

Status - Implemented

Agency Action - The College has developed Property Control procedures and these now can be found on the College's web site.

Recommendation 9

Formally, assign administrative responsibility for equipment controls to specific individuals at the location unit level.

Status - Implemented

Agency Action - A Property Control Coordinator has been assigned to each Department.

Recommendation 10

Fulfill the commitment to perform annual physical inventories of the College's equipment assets and monitor the reported results.

Status - Implemented

Agency Action - The College finished an annual equipment inventory in October 2000.

Recommendation 11

Monitor the activities of the Equipment Manger to ensure equipment acquisitions and disposals are processed properly.

Status - Implemented

Agency Action - The Director of Physical Plant has been given this responsibility. The initial concentration has been to ensure that unit designees were assigned and that a annual physical inventory was taken. The Director will now begin to test to ensure that acquisitions and disposals of equipment are processed properly.

Recommendation 12

Improve security over equipment stored in the Auditeria.

Status - Implemented

Agency Action - The College has installed a new security cage, restricted key access, and mandated that all new or valuable equipment be kept within the cage. In addition staff are to conduct an assessment of the security over all property storage areas.

Recommendation 13

Follow up on equipment items that could not be located or otherwise accounted for, and correct the record keeping errors identified in this report.

Status - Implemented

Agency Action - The listing of missing items has been investigated and proper action has been taken.

Major contributors to this report were William J. Nealon, Arthur F. Smith, and David Pleeter.

We thank the management and staff of SUNY at Cortland for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Jerry Barber
Audit Director

cc: Judson H. Taylor, President, SUNY Cortland
John Murphy, University Auditor
Charles Conaway, DOB