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July 24, 2003

Dr. Matthew Goldstein  
Chancellor  
City University of New York  
535 East 80th Street  
New York, New York 10021

Dr. Christoph M. Kimmich  
President  
Brooklyn College  
2900 Bedford Avenue at Avenue H  
Brooklyn, New York 11210-2889

Re: Report 2002-F-29

Dear Chancellor Goldstein and President Kimmich:

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 City University of New York (CUNY) as of May 14, 2003 to implement the recommendations contained in our audit report, City University of New York - Brooklyn College: Selected Financial Management Practices (Report 2000-S-17). Our report, which was issued on April 12, 2001, addressed the adequacy of Brooklyn College's internal controls over its payroll and revenue functions.

**Background**

Brooklyn College (College), which was established in 1930, is one of 11 senior colleges in the City University of New York (CUNY) system and offers more than 125 undergraduate and graduate majors and programs. The College has an enrollment of approximately 15,600 students, and a staff of over 1,000 full and part time employees. For the fiscal year 2001-02, personal service costs represented \$59.8 million of the College's total operating budget of \$79.6 million. As of April 2003, year to date revenues for the 2003 fiscal year were \$40.2 million. Sources of revenue included tuition and fees of \$22.8 million, State Aid of \$7.4 million and Federal aid of \$10 million.

The College Bursar's Office collects tuition and fees from students and issues certain refund and salary checks. The College Office of Payroll Operations enters data for processing all payroll and personnel transactions for employees on the New York State Payroll System Replacement

Project (PaySR). The College maintains and tracks student account data using CUNY's on-line Student Information System (SIMS).

### **Summary Conclusions**

In our prior audit, we concluded that the College needed to strengthen internal controls over payroll and revenue. The controls that required strengthening included those for distributing paychecks, recording employee Social Security numbers, delivering W-2 forms, issuing student tuition refunds, handling outstanding student refund checks and registering students with unpaid tuition balances.

In our follow-up review, we found that the College has made substantial progress in implementing the recommendations contained in our audit report. Also, College officials stated that some of the procedures that we recommend are beyond their ability to implement and would have to be addressed at the Central Office level.

### **Summary of Status of Prior Audit Recommendations**

Of the 11 prior audit recommendations, College officials have implemented 6 recommendations, partially implemented 2 recommendations and have not implemented 1 recommendation. We found that 2 recommendations are not applicable due to changes in the State payroll processes.

### **Follow-up Observations**

#### **Recommendation 1**

*Establish and ensure compliance with written procedures for returning paychecks 30 days or older to the New York State Department of Taxation and Finance.*

Status - Implemented

Agency Action - Paychecks that are not delivered to employees are held by the Bursar's Office. After two payroll periods the checks are mailed to the employee at their address of record with the return address of the Deputy Business Manager. If the checks are undeliverable and returned to the Deputy Business Manager, he researches why the paychecks were undeliverable and either delivers them to the employee or returns them to the New York State Department of Taxation and Finance. At the time of our review, no checks were on hand for two pay periods.

#### **Recommendation 2**

*Require a unit independent of the payroll process to maintain undelivered paychecks awaiting return to the New York State Department of Taxation and Finance.*

Status - Implemented

Agency Action - All undelivered payroll checks are held by the Bursar's Office, a unit independent of payroll processing for two payroll periods. Subsequent processing is in accordance with the actions cited under Agency Action to recommendation number one.

### **Recommendation 3**

*Ensure that all employees have valid Social Security numbers, and that PaySR contains employees' correct Social Security numbers, by doing the following:*

- *confirming the correct Social Security numbers of the 28 employees cited in this report and entering the numbers in PaySR;*
- *requiring new employees to show their Social Security cards when they are hired; and*
- *making sure all employees' Social Security numbers are entered correctly in PaySR.*

Status - Implemented

Agency Action - Regarding this recommendation, College officials reviewed the records and, except for one instance, corrected the social security numbers listed as incorrect in our original report. We verified the accuracy of the corrected Social security numbers. In addition, the College's Human Resources office issued a memorandum requesting that original social security cards be required from all new employees before they are placed on the payroll. The numbers are then entered in PaySR

### **Recommendation 4**

*Request additional training for employees who use PaySR.*

Status - Implemented

Agency Action - Since this finding was reported to College officials, many training sessions for employees who use PaySR have been scheduled and attended. These sessions occurred and were documented from August 28, 2000 through July 30, 2002.

### **Recommendation 5**

*Increase outreach efforts to distribute W-2 forms, such as including the forms along with payroll checks.*

Status - Not Applicable

Agency Action - The original report cited the College as being lax in locating addresses of employees whose W-2 forms were returned by the post office as undeliverable. As of November 2001, the Bureau of State Payroll Services has implemented a pilot program which does not incorporate our recommendation for distributing the W-2 forms along with the payroll checks. Since the process has changed this recommendation is not applicable.

### **Recommendation 6**

*Ensure that undelivered W-2 forms are returned to OSC in a timely manner.*

Status - Not Applicable

Agency Action - The original report cited the College as being lax in returning undeliverable W-2 forms to OSC. The procedures have been changed by the Bureau of State Payroll Services mandating that the NYS Comptroller's Office becomes the return addressee for all W-2 forms. All undelivered W-2 statements are returned by the postal system to the NYS Comptroller's Office. See actions listed under recommendation number five.

### **Recommendation 7**

*Improve reporting systems to better track tuition refunds the Bursar's Office owes to students.*

Status - Partially Implemented

Agency Action - In response to our report, CUNY Central Office officials stated that SIMS would be enhanced so that credit balances could be readily identified. This has not yet occurred, and College officials have implemented their own system to manually track credit balances and identify students due refunds. The College's efforts in this regard are commendable; however, improving the SIMS system is still necessary.

### **Recommendation 8**

*Issue refund checks to students in a more timely manner.*

Status - Partially Implemented

Agency Action - We originally reported the issuance of 94 refund checks totaling \$48,000 paid in the three-month period ending March 2000. Payments were made for funds owed to students from the Spring 1996 semester through the Fall 1998 semester. A similar review for the three-month period ending March 2002 revealed 10 checks issued totaling \$2,904. Payments were made for the Summer Session 1995 through the Fall 2001 semester. A comparison of the two periods revealed that fewer checks were issued. While this process could still be timelier, improvement has been made and we consider this recommendation partially implemented.

### **Recommendation 9**

*Improve controls over outstanding refund checks by:*

- *complying with the College's newly instituted procedures that establish a date after which refund checks are no longer valid; and*
- *adjusting College accounting records so that balances reflect the invalidation of uncashed checks.*

Status - Implemented

Agency Action - Regarding this recommendation, the College has updated its Accounting Policy and Procedures Manual to reflect new procedures for handling outstanding checks. According to these policies, outstanding checks are reviewed every six months and checks over \$1,000 are reviewed at least every 60 days. In addition, the bank reconciliation for June 30, 2002 indicated that procedures had improved as no checks outstanding for more than 10 months were listed. Stop payments are issued for all checks outstanding for more than one year.

### **Recommendation 10**

*Comply with CUNY guidelines by prohibiting the registration of those students who have outstanding tuition receivables from prior semesters.*

Status - Not Implemented

Agency Action - CUNY officials responded to our draft report that these issues would be addressed. However, CUNY Central Office officials stated that they do not have access to the individual schools SIMS databases. Therefore, they are unable to identify students who are in arrears and cannot prevent them from registering for classes in subsequent semesters. In addition, Brooklyn College officials stated that they do not know if students will receive financial aid so they do not prevent registration in subsequent school terms even if tuition is due. We reviewed a listing of students with outstanding balance from October 11, 2001 to January 30, 2003 and compared this to a listing of 17,765 students registered for the Fall 2002 and Spring 2003. This comparison revealed 24 students who were allowed to register in the Fall 2002 and Spring 2003 semester with outstanding balances greater than \$1,000, totaling over \$39,600.

### **Recommendation 11**

*Enhance SIMS so it will identify those students who are directly responsible for paying all or part of their own tuition.*

Status - Implemented

Agency Action - The SIMS system has been improved so that College officials have the ability to review current information including student tuition and financial aid information. Currently College staff have the capability of identifying those students who are responsible for all or

part of their tuition. The SIMS information screens now reveal total dollars due from a student and from other sources.

Major contributors to this report were Joan Williams, Tom Trypuc and Michael Solomon.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We thank the management and staff of Brooklyn College for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Steven E. Sossei  
Audit Director

cc: Lou Chiacchere