

H. CARL McCALL  
STATE COMPTROLLER



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OFFICE OF THE STATE COMPTROLLER

December 5, 2002

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

Dr. Ricardo R. Fernandez  
President  
Herbert H. Lehman College  
250 Bedford Park Boulevard West  
Bronx, New York 10468

Re: Report 2002-F-28

Dear Chancellor Goldstein and Dr. Fernandez:

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 Herbert H. Lehman College as of October 8, 2002, to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 99-S-22). Our report, which was issued on September 25, 2000, addressed the College's internal controls over revenue, payroll and the personnel function.

**Background**

Herbert H. Lehman College (the College or Lehman) is one of 11 senior colleges in the City University of New York (CUNY) system. Located in the Bronx, the College offers Bachelor's and Master's degree programs. During fiscal year 2001-02, the College's total expenditures were \$49.3 million, including payroll and fringe benefits of about \$44.8 million. Lehman processes its payroll using the State payroll system known as PaySR (Payroll System Replacement Project). As of July 31, 2002, Lehman had approximately 715 full-time employees, 577 adjunct professors, and 407 temporary employees listed on the payroll. Almost 9,400 students, including 2,270 graduate students, were enrolled in the College during this period.

College revenues for fiscal year 2001-02 were \$24.3 million. Major sources of revenue included student tuition (\$10.5 million), the New York State Tuition Assistance Program (\$6.1 million), and

financial aid (\$6.4 million). For the 2001-02 academic-year, tuition for full-time students was \$3,200 for New York State residents and \$6,800 for out-of-State residents.

### **Summary Conclusions**

In our prior audit, we concluded that there were significant opportunities for Lehman to improve its overall Internal Control Program particularly with respect to revenue, payroll and the personnel function.

In our follow-up review, we found that the College has made significant progress in implementing the recommendations contained in our audit report. College officials have taken steps to improve performance including strengthening time and attendance practices and other internal controls.

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

Of 24 recommendations, 19 were implemented, 4 were partially implemented and one was not implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Consider designating a manager other than the Controller to be the College Internal Control Officer. If this is not feasible, designate an independent manager to review and approve internal control reports covering the functions of the Controller.*

Status - Implemented

Agency Action - Lehman's Vice President for Administration is now the College's Internal Control Officer. He provided us with a copy of the 2001-02 Internal Control Review Report that he had reviewed and signed.

#### **Recommendation 2**

*Prepare internal control risk assessment reports in a more comprehensive manner and have the Internal Control Officer document his review of the reports.*

Status - Implemented

Agency Action - A copy of the Lehman Internal Control Report for 2001-02 contains various risk assessments including Payroll and Budget, Provost's Office, Information Technology Resources, Controller/General Accounting, Bursar and other Departments. The risk assessments are comprehensive and include an internal control risk, whether the risk is high or low, the planned improvements, control testing, and planned corrective action.

### **Recommendation 3**

*Improve payroll separation of duties by limiting the payroll certification process to only appropriate payroll staff, deleting from PaySR the “superuser” status of the Payroll Director and the Assistant Personnel Director and restricting the Payroll Director’s PaySR access to the payroll certification task.*

Status - Partially Implemented

Agency Action - The Payroll Director reports to the College Vice President of Administration. He still has certification authority over the payroll. He still maintains “superuser” status. The Payroll Director continues to certify the payroll process and has access to view and update all payroll screens. The Assistant Personnel Director no longer has “superuser” status.

### **Recommendation 4**

*Continue to produce and utilize the PaySR summary transaction report during the payroll review and certification process.*

Status - Implemented

Agency Action - The PaySR Summary Transaction Report is being used during the payroll review certification process.

### **Recommendation 5**

*Make sure that all payroll transactions are supported by the Personnel Action form or an appropriate record that documents personnel office approval.*

Status - Implemented

Agency Action - A review of transaction reports between June 26, 2002 and July 13, 2002 showed that either a Personnel Action form or other appropriate documentation supported payroll transactions.

### **Recommendation 6**

*Remove employees from the payroll on a timely basis whenever their services are no longer required.*

Status - Implemented

Agency Action - From a list of 28 employees separated from January 1, 2002 through July 25, 2002, we sampled ten and found that all had been removed from the payroll on a timely basis.

### **Recommendation 7**

*Establish written check distribution procedures with provisions for: displaying a College ID when picking up paychecks, maintaining an accurate list of persons approved to pick up paychecks on behalf of others, returning undelivered paychecks promptly to staff who are independent of payroll and personnel responsibilities, using certified mail with return receipt when sending checks to former employees with unverified addresses, and returning paychecks that are 30 days or more old to the New York State Department of Taxation and Finance.*

Status - Partially Implemented

Agency Action - We obtained Lehman's Procedures for Distribution of Employee Paychecks and observed the distribution of paychecks on July 25, 2002. We noted employees displaying College ID when picking up paychecks. We were provided with listings of employee names from each Department who were responsible for picking up paychecks on behalf of others. However, undelivered checks are still being sent back directly to the payroll department. Certified mail is being used when sending checks to former employees with unverified addresses. Payroll sends undelivered paychecks to New York State Department of Taxation and Finance within 30 days of issuance.

### **Recommendation 8**

*For the 12 employees that have been cited in this report for PaySR social security numbers that differ from social security numbers in Lehman records, confirm the correct social security number and make sure it is recorded in PaySR.*

Status - Implemented

Agency Action - We reviewed all 12 employees and found their social security numbers matched between PaySR and Personnel records.

### **Recommendation 9**

*Investigate and take appropriate steps to address the missing personnel files for the three employees cited in this report.*

Status - Implemented

Agency Action - The missing files for all three employees were found and made available for our review.

**Recommendation 10**

*Enforce the policy that employees taking courses under the tuition waiver program must appropriately charge annual leave accruals. Investigate and take corrective actions concerning the examples cited in this report where employees did not appropriately charge annual leave accruals in connection with the program.*

Status - Partially Implemented

Agency Action - The Personnel department could not find any documentation showing that corrective action was taken against the seven employees cited in our original report, who had taken courses during their working hours without charging the appropriate accrual leave.

We took a sample of six current employees taking tuition waiver courses and found no conflicts between their work schedules and course times. Where necessary their workday was modified/extended to conform with their course times.

**Recommendation 11**

*Reiterate requirements that Public Safety Supervisors must review and initial employee time cards that have not been punched through the time clock or which contain hand written entries.*

Status - Implemented

Agency Action - We reviewed 6 of 33 employees' punch cards and timesheets from the Department of Public Safety for the bi-weekly period ended July 20, 2002 and found no discrepancies.

**Recommendation 12**

*Ensure that Public Safety staff do not complete time sheets before the end of their workday.*

Status - Implemented

Agency Action - We reviewed seven employees whose workday was in progress on August 13, 2002 and found the employees' time sheets had not been completed in advance. The time sheets had the time the employees started work, but had not yet recorded a time the employees left work.

**Recommendation 13**

*Review and follow up on discrepancies between Public Safety time sheets and time cards, including the discrepancies identified in this report.*

Status - Partially Implemented

Agency Action - We reviewed six employees' time cards for the bi-weekly period ended July 20, 2002 and found no discrepancies. A memo on January 7, 2000 from the Director of Public Safety advised the Tour/Shift Sergeant to check and compare punch cards with time sheets and note and correct any discrepancies. Also, time sheets are to be monitored for completeness before and after each tour. We were told that most of the time sheet and time card problems found on our previous audit resulted from employees forgetting to punch the time cards. However we were provided with no evidence that any disciplinary actions were taken as a result of those discrepancies.

#### **Recommendation 14**

*Obtain the Daily Time Records of classified employees on a timely basis at the end of each pay period and maintain an accurate list of the full names of the classified employees who are to submit the Records.*

Status - Implemented

Agency Action - We reviewed six employees' payroll transactions and traced the transactions to Bi-Weekly Time Reports which showed that all employees had completed their time records in a timely manner.

#### **Recommendation 15**

*Discontinue advancing sick leave accruals to employees and make certain all advances of annual leave to employees are documented and approved in accordance with CUNY policy.*

Status - Implemented

Agency Action - A sample of seven employees showed that three employees had negative sick and annual leave balances. As a result, Personnel notified Payroll to deduct four days from the three employees' payroll.

#### **Recommendation 16**

*Take steps to recover any remaining amounts owed, as appropriate, from the nine employees cited in this report as having negative leave accrual balances.*

Status - Implemented

Agency Action - The Personnel Department notifies the Payroll Department to deduct negative annual and sick leave balances from employees' salaries as they update the attendance sheets from each pay period time sheet. There were 79 days of negative accruals, both sick and annual leave, for nine sampled employees at the end of August 1999. There were 14 days that had been deducted from employees' paychecks by the end of August 1999. We found the remaining 65 days had been deducted from the employees' paychecks and/or their annual accrual balances.

**Recommendation 17**

*Consider revoking the direct deposit privilege for employees who have negative leave balances or who fail to submit time records when required.*

Status - Implemented

Agency Action - We identified examples where employees' direct deposit privileges were withheld because of negative leave balances and/or other payroll problems.

**Recommendation 18**

*Establish written guidelines and criteria, including documenting proof of eligibility, for the College's use in administering the CUNY Hardship Deferral Program for tuition.*

Status - Implemented

Agency Action - The College established Hardship Deferment Program Guidelines in February 2000, which require students to document proof of eligibility.

**Recommendation 19**

*In administering the College's CUNY Hardship Deferral Program, adhere to CUNY Central and Lehman requirements by not providing subsequent tuition deferrals when students default on deferment agreements, promptly placing holds on the SIMS records of students who miss payment due dates, and by not deferring more than 50 percent of tuition liability unless and until policy specifies who can authorize a greater deferment and under what circumstances.*

Status - Implemented

Agency Action - The Vice President of Student Affairs must authorize tuition deferments of more than 50 percent as well as deferments for students who previously defaulted on deferments, in order for those students to receive additional deferrals. We reviewed five students who defaulted and all had a default code on their SIMS records.

**Recommendation 20**

*Establish written procedures governing deferrals of tuition for veterans, including procedures for requesting such deferrals in writing, maintaining proof of eligibility, and correlating payment due dates with the receipt of veterans benefits.*

Status - Implemented

Agency Action - The College's new procedures governing veterans' certification and tuition deferral covered the conditions noted in the recommendation.

**Recommendation 21**

*When administering the last-semester-free waiver, adhere to the Registrar's identification of the semester to be used in making the determination of the tuition to be waived.*

Status - Implemented

Agency Action - The Registrar is administering the last-semester-free waiver properly based on a sample of eleven students we reviewed who had received such benefits. The last semester free benefit is being phased out and will not be available for students graduating after Fall 2003.

**Recommendation 22**

*Enforce requirements that all employees receiving tuition waivers must have an approved waiver form on file.*

Status - Implemented

Agency Action - We selected a sample of seven employees out of a list of 38 employees receiving tuition waivers for Spring 2002 and found all sampled employees had tuition waiver forms on file.

**Recommendation 23**

*Discontinue writing checks out to the College and then redepositing these checks to support the need to credit a student's current semester tuition and fee liability for overpayments in a prior semester. Utilize appropriate supporting documentation to explain and provide authorization for the required transaction on SIMS.*

Status - Not Implemented

Agency Action - College officials disagree with this recommendation. The Controller continues to write checks and redeposits them to support current semester tuition and fee liability for prior period overpayments. The Controller stated the way he is handling such transactions provide him with a better paper trail.

**Recommendation 24**

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

Status - Implemented

Agency Action - The Bursar determines which students are to receive refund checks. He sends a refund list to the Payroll Department which prepares refund checks. Four student refunds that we examined appeared to be processed in a timely manner.

Major contributors to this report were Anthony Carbonelli, Keith Murphy, and Joe Giaimo.

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

Very truly yours,

Jerry Barber  
Audit Director

cc: Deirdre A. Taylor