
**Thomas P. DiNapoli
COMPTROLLER**



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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**BOROUGH OF
MANHATTAN COMMUNITY
COLLEGE**

**SELECTED FINANCIAL
MANAGEMENT PRACTICES**

Report 2008-N-8

AUDIT OBJECTIVE

Our objective was to determine whether the Borough of Manhattan Community College established and maintained an adequate system of internal control over financial operations for payroll, purchasing, cash disbursements, and waiving of tuition.

AUDIT RESULTS - SUMMARY

We determined that the internal controls for Borough of Manhattan Community College (BMCC) financial management practices are generally adequate. However, we found a few aspects of internal control for cash disbursements, procurement, employee tuition waivers, and attendance monitoring can be strengthened.

The City University of New York (CUNY) Purchasing Policy Manual (Manual) requires that a requisition form and purchase order be prepared for all purchases for more than \$250. In addition, receiving reports and original invoices should be compared to the purchase order before making payment. We found that 2 of the 25 disbursements we tested, totaling \$8,943, lacked purchase orders as well as receiving reports. We also determined that the requisitions to initiate these purchases were completed after the items were received.

The Manual requires formal solicitation when costs for goods and services exceed \$20,000. The Manual also requires that the date and time of the receipt of the bid be stamped on the sealed package. Further, a bid tabulation sheet must be completed and signed by the individual recording the bids, as well as by the Director of Purchasing or his/her designee. We found that two of the sixteen bid packages did not have time and date stamps on them or on the bid tabulation sheet, as required. Thus, it cannot be known with certainty when these bids were received.

According to CUNY's policy for tuition waivers, to be eligible for a tuition waiver, an employee must have been employed by CUNY for at least a full calendar year prior to the first day of classes of the term in which they are registering. We found that one BMCC employee had not worked for CUNY for at least one year before receiving a tuition waiver. The amount of the tuition improperly waived for this employee was \$2,000.

Our report contains four recommendations to improve controls over BMCC's financial management practices. BMCC officials agreed with our recommendations. They indicated the specific actions that they have taken to implement them on the reasons why the exception occurred.

This report, dated June 4, 2009, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The City University of New York (CUNY) is the largest municipal college system in the United States. It consists of eleven senior colleges, six community colleges, and several other specialized and professional schools. CUNY serves more than 231,000 degree-credit students and 230,000 adult-continuing and professional education students. The Borough of Manhattan Community College (BMCC) is the largest of the CUNY community colleges and is the only community college in the borough of Manhattan.

According to BMCC's financial statements for the year ended June 30, 2008, BMCC

expended over \$159 million, of which over \$101 million related to personal services. The remaining \$58 million was expended for other than personal services. BMCC employs a staff of about 850 full time and 1,500 part time employees.

Internal control is a major part of managing an organization. It comprises the plans, methods, and procedures used to meet missions, goals, and objectives and, in doing so, supports performance-based management. Internal control also serves as the first line of defense in safeguarding assets and preventing and detecting errors and fraud. In short, internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources.

BMCC's internal control procedures over its financial operations are found, among other places, in CUNY's Purchasing Policy Manual and Tuition and Fee Manual and in BMCC's Policies and Procedures.

AUDIT FINDINGS AND RECOMMENDATIONS

Cash Disbursements and Procurement

Disbursements and Purchases

CUNY's Purchasing Policy Manual (Manual) requires that for purchases greater than \$250, a requisition form and purchase orders should be prepared by the unit requesting the item. Using the requisition and purchase order permits management to review and approve the transaction. In addition, receiving reports and original invoices should be compared to the purchase order before making payment. When requesting reimbursement for expenditures made on behalf of BMCC, employees must submit receipts for the

payment made. For the fiscal year ended June 30 2008, BMCC reported that disbursements totaled \$21,470,118.

We selected a judgmental sample of 25 cash disbursements over the \$250 threshold to test compliance with these requirements. Our 25 disbursements totaled \$154,512. Our sample was selected from disbursements that covered various types of expenditures, including employee reimbursements. We found that BMCC's internal controls related to cash disbursements were generally adequate; however, we found two disbursements that did not comply with established procedures. The two disbursements, totaling \$8,943, each lacked a purchase order, as well as a receiving report. Upon further testing, we also determined that the requisitions that initiated these purchases were completed after the invoices were received.

BMCC officials acknowledged that the requisitions were prepared after the fact. In one instance in which \$4,993 was used to purchase food (e.g. breakfast, lunch), officials advised us that they were not aware of what the total cost of the food would be in order to prepare a requisition; therefore, they did not complete a requisition in advance. They indicated that in the future, they will initiate a blanket purchase order with this vendor to comply with cash disbursement procedures. For the second disbursement, officials advised us that a vendor erroneously shipped merchandise to the school, based on a request for a price quote rather than waiting for a formal purchase order to be issued. Officials contend that they paid the invoice to avoid administrative costs and time.

Procurement

CUNY's Manual requires formal solicitation of bids when purchasing goods and services with cost in excess of \$20,000. The Manual

states that the bidder must deliver their bid in a sealed package, addressed as provided in the bid proposal, on or before the specified time and designated location. The Manual also requires that the date and time of the receipt of the bid be stamped on the sealed package. Further, a bid tabulation sheet must be completed and signed by the individual recording the bids, as well as by the Director of Purchasing or his/her designee. During our audit period, BMCC had five contracts totaling \$1.4 million.

We reviewed the three largest contracts awarded by BMCC during our audit period. These three contracts, totaling \$1.3 million, had a total of sixteen bids submitted. We found that two of the sixteen bid packages did not have time and date stamps on them or on the bid tabulation sheet, as required. Thus, it cannot be known with certainty when these bids were received. We noted that one of these bidders won the contract, despite lacking this required information.

BMCC officials advised us that in the future, the Purchasing Department will follow the bidding procedures to ensure that all bid packages are received, date and time stamped, and that the bid tabulation sheets are properly completed and kept on file.

Recommendations

1. Comply with CUNY's Purchasing Policy Manual and prepare purchase requisitions and purchase orders for all purchases greater than \$250.
2. Ensure that bid packages are date and time stamped and that bid tabulation forms are properly completed.

Tuition and Revenue

Waiving of Tuition

According to CUNY's Tuition and Fee Manual, employee collective bargaining agreements allow for the waiving of tuition for employees under certain circumstances. For example, full time instructional staff may be granted a waiver of both undergraduate and graduate tuition during the fall and spring semesters. However, tuition may not be waived during the summer semester or other special sessions. In addition, an employee must have been employed by CUNY for at least a full calendar year prior to the first day of classes of the term in which they are asking for a waiver. A CUNY Employee Tuition Fee Waiver form must be signed by the employee's Personnel Director or his/her designee. BMCC waived tuition totaling \$182,923 for 200 employees, from Fall 2006 through Spring 2008 semesters.

To determine whether BMCC complied with CUNY's requirements, we selected a judgmental sample of 25 employees who attended various CUNY colleges. These 25 employees received tuition waivers totaling \$79,082. Our sample consisted of those employees with comparatively high amounts of waived tuition. We found that the BMCC's internal controls for processing employee tuition waivers were generally adequate.

However, we found that one employee had not worked for CUNY for at least one year before receiving a tuition waiver, as required. The waiver listed the employee's date of appointment as December 2007; however, the employee obtained the tuition waiver for the spring 2008 semester that started in January 2008, just one month after the employee started working at BMCC. The amount of the

tuition improperly waived for this employee was \$2,000.

BMCC officials acknowledged that one tuition waiver application for a full time employee was mistakenly approved before the employee met the one year of employment eligibility criteria. They advised us that they will work to ensure that only eligible employees are granted tuition waivers.

Recommendation

3. Ensure that tuition waivers are granted to employees who have been employed by CUNY for at least one year.

Payroll

Attendance Monitoring

BMCC's policies and procedures require classified employees (i.e. civil servants and college assistants) to record their arrival and departure time by scanning an image of their finger into the Kronos ID System, which is a computerized time and attendance system. In instances where finger scans are not recorded, supervisors must provide a written statement verifying the employee's attendance and the specific hours worked. Classified employees who fail to scan more than two times within a six month attendance period (i.e. July-December, January-June) will have their pay docked for the undocumented time.

To determine whether BMCC officials were complying with established procedures, we selected a judgmental sample of 10 employee time records for the period of July 1, 2007 to June 30, 2008. Our sample was selected based on the top 10 overtime earners during that same period. We reviewed the time records to determine whether there was adequate documentation to support regular work hours as well as overtime work hours.

Although we found that employees generally scanned in/out as required, we noted that nine of the 10 employees sampled failed to scan in or out more than two times within a six month period. The total number of missed scans ranged from 2 to 12 instances per employee.

According to BMCC's policy, their pay should have been docked; however, we did not find any evidence where these employees pay was docked for undocumented time after violating this rule.

A BMCC official advised us that they had rescinded the policy of docking pay for failure to scan more than twice within a six-month attendance period. They stated that considering such time as undocumented was a difficult standard to enforce. However, BMCC officials did not update their policies and procedures, and were not able to provide us with the date the policy was rescinded. BMCC officials did acknowledge that some people do at times fail to scan in or out, and there is a need to address the problem.

Recommendation

4. Ensure that employees scan in and out according to established policy.

AUDIT SCOPE AND METHODOLOGY

We audited selected financial management practices at Borough of Manhattan Community College (BMCC) for the period July 1, 2006 through November 7, 2008. To accomplish our objective, we interviewed officials of BMCC and reviewed the School's records related to cash disbursements, procurement, tuition waivers, and payroll. We reviewed applicable laws and regulations as well as CUNY and BMCC policies and procedures. We selected a judgmental sample of 25 cash disbursements to review and confirm pre-approvals and other supporting

documentation. We also reviewed the three largest contracts awarded by BMCC during our audit period to determine whether the bid packages were time and date stamped as required. In addition, we reviewed the tuition waivers of 25 employees to determine whether the waivers met CUNY requirements.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted

government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

The audit was performed according to the State Comptroller's authority under Article V, Section 1, of the State Constitution; and Article III, Section 33, of the General Municipal Law.

REPORTING REQUIREMENTS

A copy of this report, in draft, was provided to CUNY and BMCC officials for their review and comment. Their comments were considered when preparing this report and are included as Appendix A.

Within 90 days after the final release of this report, we request the Chancellor of the City University of New York to report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, and the reasons why.

CONTRIBUTORS TO THE REPORT

Major contributors to this report were Kenrick Sifontes, Stephen C. Lynch, Marc S. Geller, Natalie Sherman, Dino Jean Pierre and Elijah Kim.

APPENDIX A - AUDITEE RESPONSE



Office of Internal Audit and Management Services
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New York, NY 10036
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May 15, 2009

Mr. Kenrick A. Sifontes
Audit Manager
Office of the State Comptroller
Division of State Government Accountability
123 William Street—21st Floor
New York, NY 10038

Re: Audit Report 2008-N-8

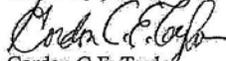
Dear Mr. Sifontes:

In respect of the above-captioned audit report (*Borough of Manhattan Community College—Selected Financial Management Practices*), I have attached the college's response for inclusion as an appendix to the final draft thereof.

You will note from the response that the college agrees in essence with the auditors' findings and recommendations but wishes to emphasize that the findings are less indicative of internal control weaknesses than they are the result of isolated occurrences where otherwise sound policies and procedures may not have been followed. For the most part, the college believes that the internal control lapses cited were the result of extenuating circumstances and would not reasonably be expected to recur with any significant frequency; however, the college has endeavored to strengthen controls where necessary as an added safeguard against recurrence.

If you have questions or comments, please do not hesitate to give me a call.

Very truly yours,


Gordon C.E. Taylor
Director

Attachment

cc: Chancellor Matthew Goldstein
Executive Vice Chancellor and COO Allan H. Dobrin
Vice Chancellor Ernesto Malave
President Antonio Perez
Vice President G. Scott Anderson
Ms. Elena Samuels, Business Manager

IA#2105



Borough of Manhattan Community College
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May 12, 2009

Office of the State Comptroller
Division of State Government Accountability
123 William Street - 21st Floor
New York, NY 10038
Kenrick Sifontes, Audit Manager

Dear Mr. Sifontes:

The college reviewed the draft audit report (2008-N-8) regarding whether the Borough of Manhattan Community College/CUNY established and maintained an adequate system of internal control over financial operations for payroll, purchasing, cash disbursements and tuition waivers. We acknowledge the audit's findings and accept the audit team's recommendations. However, request that the following responses be included as an appendix to your final report.

Cash Disbursements and Procurement
Disbursements and Purchases

The NYS Auditors determined that at BMCC the internal controls related to cash disbursements were generally adequate. However, they found two purchasing records, where the purchasing requisitions were issued after invoices were received. In the first instance, the purchasing requisition for MBJ Company, the college's food services provider, for the College Now Program could not have been issued for the specific amount before the date of the actual event because the exact number of participants was not known at that time. However, the budget equal to the estimated cost of food services for this event was properly approved and served as an expenditure ceiling for the event. The Purchasing Department processed the purchasing requisition after the invoice from the vendor was received, which was based on the *actual* number of participants. Following the auditor's recommendations, BMCC is fully compliant with CUNY's Purchasing Policy in FY 08-09 by issuing an open requirements purchase orders to MBJ Company for food services.

In the second instance, the auditors found a purchasing requisition that was issued after the invoice was received when a Home Depot store *erroneously* shipped merchandise to the college without a purchase order and in response to our request for a price quote. The college's letter of explanation is attached to the file copy of the requisition. It explained what happened, as well as the fact that the college would have had to pay a restocking fee of 15% to The Home Depot if we returned it. This, despite the fact that the college did not actually place an order, is why we attempted to avoid the payment of a restocking fee, especially since the materials were standard inventory supplies which the college could use. This was an unusual situation and the college

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acted prudently and responsibly. Nonetheless, BMCC will continue to follow proper purchasing policies and procedures.

Procurement

The college acknowledges that the date/time stamps were missing on 2 bids out of 16. The envelopes with date/time stamps in which these two bid packages have been received were misplaced when the documents were archived in 2005. The report indicates that no Bid Tabulation Sheets were missing.

The City of New York would not have registered the contract with vendors unless the bid tabulation sheets were submitted with all required contract documents. The Purchasing Department awarded the contracts in accordance with CUNY's Purchasing Policies and Procedures. The Purchasing Department of BMCC will continue to diligently follow the purchasing procedures to ensure that all bid documents are received, date/time stamped and the bid tabulation sheets are properly completed and all relevant documents secured.

Tuition Revenue

Waiving of Tuition

The NYS auditors determined that the college's internal control for processing tuition waivers for employees are generally adequate. However, they found that one employee out of 25 employees selected for testing, received the tuition waiver before meeting the length of employment requirement.

BMCC is adhering to established policies and procedures with regards to tuition waivers. We do acknowledge that one tuition waiver application for a full time employee was mistakenly approved before the employee met the one year of employment eligibility criteria. We will continue to ensure the processing of approved tuition waivers for eligible employees only.

Payroll

Attendance Monitoring

BMCC acknowledges that some employees at times fail to scan in or out and there is a need to address this problem. We wish to note that no employee is paid for any hours worked unless those hours are verified by the respective superior on the employee's time sheet. If an employee neglects to swipe in or out, they will not be paid unless their supervisor verifies on the time sheet that the employee actually worked the hours.

At one time, a memorandum was issued by BMCC's Office of Human Resources indicating that employees who failed to follow timekeeping procedures twice within a six-month pay period would be docked for their "undocumented time." This policy was discarded for several reasons.



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As a practical matter, classifying some time as "undocumented time" was a difficult standard to enforce. If an employee failed to swipe in, in theory, the day was undocumented, even in those cases when supervisors knew the employee worked. Moreover, under the Fair Labor Standards Act, an employer is required to compensate a worker for hours they allowed the employee to work. (See 29 CFR 785.11). Thus, if a supervisor verified the hours on the time sheet, thereby acknowledging that the employee worked the noted hours, the Payroll Office of the Office of Human Resources would process those authorized hours for payment.

There is always a need to address the problem of missing attendance swipes and the college's Office of Human Resources expects to implement a policy soon wherein they will generate a list of employees whose time and leave record indicates that they have missed more than two swipes in a three-month period. Violators of this proposed policy will be informed that they are not eligible for overtime in the next quarter.

We hope this is helpful and appreciate your providing us with this opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Scott Anderson", written over the typed name.

G. Scott Anderson,
Vice President for Administration and Planning
Borough of Manhattan Community College/CUNY