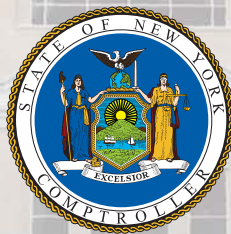




City University of New York Kingsborough Community College

Selected Financial Management Practices

Report 2008-N-9



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of State Government Accountability

September 10, 2009

Dr. Regina S. Peruggi, President
Kingsborough Community College
2001 Oriental Boulevard
Brooklyn, NY 11235-2398

Dear Dr. Peruggi:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of CUNY Kingsborough Community College's Selected Financial Management Practices. This audit was performed pursuant 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.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Audit Objective

Our objective was to determine whether Kingsborough Community College complied with financial operation procedures for procurements, tuition waivers and payroll.

Audit Results – Summary

We found that Kingsborough Community College (KCC) did not always follow procedural guidance provided by CUNY and needs to strengthen controls over procurement, tuition waivers and payroll.

CUNY's Purchasing Policy Manual (Manual) requires solicitations of bids for all purchases with costs in excess of \$5,000. We judgmentally selected payments to 10 vendors that should have evidenced such bidding according to the Manual. These payments totaled \$136,730 during fiscal year 2007-08. We found noncompliance with 3 of the 10 procurements we reviewed, totaling \$44,177.

CUNY's Tuition and Fee Manual allows individuals who meet New York City/State residency requirements, and who are 60 years of age and older, to enroll in undergraduate courses and have their tuition fees waived. We found that KCC did not maintain the required proof of age documentation or New York State residency for six students who received \$1,193 in tuition waivers.

To determine whether KCC complied with the City of New York Payroll Procedures Directive 13, which requires that undistributed checks be controlled and recorded on a log, we reviewed the undistributed paychecks located in the Bursar's Office. We found that none of the 69 undistributed paychecks were logged in, as required.

We determined that overtime is not approved in advance as required by KCC's procedures. We reviewed a sample of overtime records for 30 employees and found that there were no written pre-approvals or pre-authorizations on file. Instead, we found that written approval occurred only after the overtime had already been worked. These 30 employees earned \$341,154 in overtime payments for the two years ended June 30, 2008.

Our report contains seven recommendations to improve controls over KCC's financial management practices. In their response to our draft report, KCC officials generally agreed with our recommendations. They indicated the specific actions that they have taken or will be taking to implement them.

This report, dated September 10, 2009, is available on our web site 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

Introduction

Background

The City University of New York (CUNY) is the largest urban university 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. Kingsborough Community College (KCC), one of the six community colleges, is located on a 70-acre campus in Manhattan Beach, Brooklyn, New York. Founded in 1963, KCC serves approximately 30,000 students per year, offering a wide range of credit and non-credit courses in the liberal arts and career education, as well as a number of specialized programs. In addition, KCC offers a number of programs for special populations, including the My Turn program for senior citizens. For the school year ended June 30, 2008, KCC had expenses of \$74 million with \$64 million allocated to payroll and personal service cost including salaries and wages, retirement contributions and other employee benefits and payroll taxes.

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, support 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. KCC's internal control over its financial operations is found, among other places, in CUNY's Purchasing Policy Manual and CUNY's Tuition and Fee Manual.

Audit Scope and Methodology

We conducted our audit in accordance with generally accepted government auditing standards. We audited selected financial management practices at KCC for the period July 1, 2006 through January 20, 2009.

To accomplish our audit objective, we interviewed KCC officials and reviewed the school's records related to procurement, tuition waivers and payroll. We reviewed applicable laws and regulations as well as CUNY and KCC policies and procedures. We reviewed a judgmental sample of 10 vendors to determine whether goods and services were procured in accordance with CUNY requirements. We also reviewed samples of 15 student and tuition waivers to determine whether they were in compliance with CUNY's policies and procedures. Further, we reviewed all undistributed

paychecks and the overtime records for 30 employees to determine compliance with related policies and procedures.

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 pursuant 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**

We provided a draft copy of this report to KCC officials. We have considered their comments in preparing this audit report. KCC officials generally agreed with our recommendations, although they disagreed with our conclusions on certain matters. Officials also provided details regarding the actions they are taking to address our recommendations. A copy of KCC's response is attached to this report. State Comptroller's comments to their response is also attached at the end of this report.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the City University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, and the reasons therefor.

**Contributors
to the Report**

Major contributors to the report include Kenrick Sifontes, Stephen C. Lynch, Joan Williams, Irena Kovaneva, Hunan Zhang and David Schafer.

Audit Findings and Recommendations

Procurement

CUNY's Purchasing Policy Manual (Manual) states that the Purchasing Department should solicit a minimum of five bids for all purchases that cost between \$5,000 and \$20,000. In instances of sole source procurements, Purchasing Department officials are required to document the reason why only one source is available and the total amount to be paid is reasonable. Faculty, staff, and administrators do not have authorization to procure commodities or services or to enter into contractual relationships with vendors or to make any commitments on behalf of KCC, except in extenuating circumstances.

To determine whether KCC officials procured goods and services in accordance with CUNY requirements, we reviewed a judgmental sample of 10 procurements pertaining to 10 vendors who were paid between \$5,000 and \$20,000 by KCC during the fiscal year ended June 30, 2008. In total, the 10 vendors were paid \$136,730. We found exceptions with three of the 10 purchases totaling \$44,177, as follows:

- KCC paid an emergency medical technician vendor \$19,500 for training services without soliciting bids from other vendors, as required. Furthermore, a senior level administrative employee negotiated and procured these services on behalf of KCC. There were no extenuating circumstances that would have authorized this employee to perform this function.
- KCC paid an automatic door service vendor \$16,875 for maintenance services without soliciting bids from other vendors, as required. KCC officials advised us that they considered the vendor as a sole source because the vendor was the authorized distributor located in the area of the college. However, we identified several other automatic door service vendors in the area who should have been invited to bid. We also noted that there was no documentation to justify the total amount paid was reasonable.
- KCC paid a laundry service vendor \$7,802 without soliciting bids from other vendors, as required. The vendor had the previous contract for laundry services; however, the contract had expired. Instead of soliciting new bids as required, KCC officials awarded the contract to this same vendor. KCC officials advised us that the vendor committed to delivering the same level of service for the same cost as it provided in the earlier contract. However, there is no assurance that the price paid was reasonable.

KCC officials advised us that the Purchasing Department will reinforce correct procedures to all department end-users at the start of the bidding process as well as conduct training sessions for all individuals involved in the procurement process.

- Recommendations**
1. Solicit bids for all purchases of goods and services that cost \$5,000 or more.
 2. Ensure that only authorized KCC personnel procure goods and services.
 3. Ensure that sole source designations are used in proper circumstances.

**Tuition
Waivers**

KCC offers a tuition-free college education program called My Turn (Program). Program participants are permitted to enroll in undergraduate courses on a space available basis. According to CUNY's Tuition and Fee Manual, program participants must be New York City or New York State residents for at least 12 months prior to enrollment, and be least 60 years old on the first day of the semester or session. Acceptable proofs of age documents include a Medicaid card, driver's license, or birth certificate. KCC is required to retain a copy of these records or obtain a signed statement by a college official attesting that one of the above documents was examined and the student satisfied the age requirement. Acceptable proof of residency documents include a copy of a deed, lease, rent registration or latest income tax return. From fall 2006 to spring 2008, KCC officials reported that they waived tuition fees totaling \$1.1 million for 2,157 My Turn program students.

To determine whether KCC officials ensured that participants met Program requirements, we reviewed the student files of a judgmental sample of 15 My Turn students. These 15 students received a total of \$5,153 in tuition waivers. Our sample consisted of those students with comparatively high amounts of waived tuition. We found that certain documents were missing for 6 of the 15 students we reviewed (40 percent). One of the student files did not contain proof of age documentation; three student files did not contain proof of New York State residency documentation; and two student files did not contain proof of either age or New York State residency documentation. The three files lacking proof of age documentation also did not include a signed statement by a college official attesting that such documentation had been examined and substantiated that each student met the age requirement. When such evidence is missing, KCC lacks assurance that these students met program requirements. Thus, KCC may have inappropriately waived \$1,193 in tuition revenue for these six students.

KCC officials advised us that they plan to implement procedural changes effective with the winter 2009 semester. At that time, all applications for

My Turn waivers will be initialized by My Turn staff, indicating that the required documents (for both age and residency requirements) have been reviewed before the application is submitted to the Admissions Office. Further, KCC officials told us that all applications for readmission will also require copies of documents proving age and New York State residency. These applications will be initialized by My Turn staff indicating they are complete before they are forwarded to the Office of the Registrar.

Recommendation

4. Obtain proof of age and residency documents and maintain them in student files.

Payroll

Undistributed Paychecks

The City of New York Payroll Procedures (Procedures) Directive 13 requires that undistributed checks be controlled to ensure that they are not misappropriated. The Procedures require that undistributed checks and direct deposit earning statements must be recorded on a log. Checks and statements for employees on annual or sick leave who are expected to return shortly must be returned to the agency payroll office where they must be placed in a secure facility. In addition, the Procedures require that checks that cannot be distributed to employees should be refunded to the Office of Payroll Administration (OPA). KCC officials informed us that it is their practice to wait until 60 days before they return checks to OPA; however, this is not a written policy.

To determine whether undistributed checks were properly controlled, we reviewed the undistributed paychecks located in the Bursar's Office on September 9, 2008. We found that none of the undistributed paychecks (69 in total) were recorded on a log, as required. We also noted that none of these 69 checks were older than 60 days, thus they were not yet due to be returned to the OPA, as required. KCC officials advised us that effective with the spring 2009 semester, the Payroll Distribution Office will maintain a log of all undistributed paychecks. Employees will be required to sign the log as evidence of receipt. Officials also advised us that written procedures are being established for the return of paychecks to the OPA.

Overtime

According to KCC officials, all overtime should be pre-approved by the respective department supervisor on an Overtime Authorization form. During fiscal years 2006-07 and 2007-08, KCC expended \$943,485 and \$820,084 in overtime payments to 259 and 279 employees, respectively.

To determine whether overtime was properly pre-approved, we reviewed a judgmental sample of overtime records for 30 employees. Our sample consisted of overtime records for 15 employees from fiscal year 2006-07 and 15 employees from fiscal year 2007-08. We selected employee overtime records that contained high dollar amounts and represented a variety of work titles. In total, these overtime records supported \$341,154 in payments. We found that there were no written pre-approvals for any of the 30 employee overtime records that we reviewed. Instead, for each of these 30 employees, we found that written approval occurred only after the overtime had already been worked.

KCC officials acknowledged the need to improve record keeping by securing written approval prior to the commencement of work. They also advised us that, at times, there may be situations that are emergency in nature, where public health and safety are at risk and securing written approval may not be possible. In these situations key KCC personnel will secure the appropriate verbal approval and follow up with written approval as soon as possible.

- Recommendations**
5. Record undistributed paychecks in a log.
 6. Develop a written procedure that specifies the number of days an undistributed paycheck should remain at KCC before it should be returned to the Office of Payroll Administration.
 7. Obtain written supervisory pre-approval before paying overtime.

Agency Comments



Office of Internal Audit and Management Services
230 West 41st Street, 5th Floor
New York, NY 10036
Tel: 646-746-4290
Fax: 646-746-4299

August 13, 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: Selected Financial Management Practices at
Kingsborough Community College 2008-N-9

Dear Mr. Sifontes:

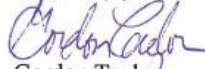
I have attached for your review Kingsborough Community College's response to the draft report issued pursuant to the above-referenced audit.

Where College officials agreed with the findings contained in the draft audit report, the attached response so indicates. Where College officials either disagreed with a finding or were able to point to extenuating circumstances they believe justifiably gave rise to an instance of noncompliance with established policy, the response addresses that as well.

In either event, inasmuch as the College is committed to excellence and to always seeking ways to improve processes wherever opportunities present themselves, the College will take action to implement those recommendations that will clearly result in improved internal controls and the more efficient use of resources.

If you have questions or comments, please do not hesitate to contact me.

Very truly yours,


Gordon Taylor
Director

Attachment

cc: Chancellor Matthew Goldstein
Executive Vice Chancellor and COO Allan H. Dobrin
Vice Chancellor Ernesto Malave
President Regina S. Peruggi
Vice President William Keller
Mr. Anthony Imperato

IA#2117

INVEST IN CU
NY



Office of the Business Manager

August 12, 2009

Office of the State Comptroller
Division of State Government Accountability
123 William Street – 21 Floor
New York NY 10038
Attn: Mr. Kendrick A. Sifontes

Dear Mr. Sifontes,

Attached please find the final College response related to the State Comptrollers recent audit of financial practices at Kingsborough Community College.

Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Anthony Imperato".

Anthony Imperato
Business Manager

NY State Comptrollers Audit 2008-2009

KCC Response to findings/recommendations:

Procurement

Finding #1 Medical Technician Vendor \$19,500

The College acknowledges this instance did require a formal bid and was negotiated outside of the Purchasing Department.

This agreement has since expired and a competitive bid process has begun for the continuation of the program, which is crucial to our Continuing Education Department. All parties involved have been notified that the original agreement was handled inappropriately and all contractual services must be handled through the Purchasing Department to avoid conflicts of interest.

2001 Oriental Boulevard | Brooklyn, New York 11235-2398
Telephone 718 368 5902 | Fax 718 368 5611



Finding # 2 Automatic door service vendor \$16,875

The College continues to disagree with this finding. The College has on file a letter from the door manufacturer, specifying the vendor used as the only authorized company to service the manufacturer's product. The College feels this letter satisfy's the sole source requirements of original manufacturer. (A copy of the letter is attached.)

*

Comment

Finding #3 Laundry service vendor \$7,802

The College acknowledges extending the laundry service agreement for one year (at 0% increase) without the necessary bid. The subsequent bid process yielded a new contract (and new vendor) at an approximate increase of 10%. In light of the increase, the College benefitted by the one year extension at the old rates.

Recommendations

- 1) Solicit bids for all purchases >\$5,000

The purchasing department does, and will continue to solicit bids for items/contracts exceeding \$5,000.

- 2) Ensure only KCC authorized personnel procure goods and services.

The business office will continue on-going communication with all faculty and administrators advising of proper procedures when conducting business transactions related to procurement of goods and services. Representatives of the Purchasing Department are present at all new employee orientations to advise on rules, regulations and proper procedures.

- 2) Ensure sole source designations are used in proper circumstances.

The purchasing department will enlist the aid of CUNY legal with regard to suitability and acceptability of sole source documentation submitted by vendors and manufacturers..

Tuition waivers

Finding #4 Missing documentation for senior citizen waivers.

The College acknowledges documentation was missing from the student files cited.

*See State Comptroller's Comment on page 21

Recommendation #4 Obtain proof of age and residency documents in student files

The College has put in place procedural requirements to ensure all necessary documents are in place before a senior citizen waiver will be granted. The new procedures were effective with the Winter 2009 semester.

Payroll

Finding #5 Missing log for undistributed paychecks

The College acknowledges that a log was not maintained for all undistributed checks, only when checks were to be returned to OPA.

Recommendation #5 Record undistributed paychecks in a log.

The College now maintains a log for all undistributed checks older than 14 days. (One pay cycle).

Recommendation #6 Develop written procedures specifying the number of days checks may be held before return to OPA.

The College now has in place written procedures for the return of checks. The time period has been shortened from 60 to 48 days.

Finding #6 No pre-approval of overtime.

The College has always had a pre-approval process with regard to overtime, however the College does acknowledge the need for formal written documentation.

Recommendation #7 Obtain written supervisory pre-approval

The College has implemented, and is enforcing, a procedure for the written, pre-approval of overtime. Human Resources will not process any OT paperwork in the absence of the preapproval documentation.

The College wishes to point out that overtime of an emergency nature may occur, and the written pre-approval cannot be obtained. In these cases, verbal pre-approval will be obtained and necessary documentation will be attached to the employees timesheet.

The Stanley Works
Stanley Access
Technologies

Timothy G. Usnik
Director of Distribution Sales
tusnik@stanleyworks.com

915 Big Horn Circle
Alpharetta, GA 30022

Telephone: 770-753-0155
Fax: 770-753-9618
Mobile: 404-964-8888

STANLEY

October 1, 2008

Kingsborough Community College
2001 Oriental Blvd.
Brooklyn, NY 11235
Attn: Thomas Brzozowski

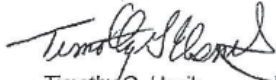
Re: MacKenzie Automatic Door

Dear Mr. Brzozowski,

Please let this letter serve as confirmation that Mackenzie Automatic Door is our exclusive authorized distributor in the Metro New York and North Jersey areas for Stanley Access Technologies. As a distributor MacKenzie Automatic Door carries our full product line which includes automatic swing, slide, bi-fold and manual ICU doors.

If I can answer any additional questions feel free to contact me at your convenience. Thank you for your interest in Stanley Access technologies products.

Sincerely,



Timothy G. Usnik
Director of Distribution Sales

cc: D. Mattson – MacKenzie Automatic Door



MACKENZIE AUTOMATIC DOORS INC.
DOOR CONTROL SPECIALISTS

Wednesday, September 10, 2008

Kingsborough Community College
2001 Oriental Blvd
Brooklyn NY 11235

Attn.: Thomas Brzozowski

Re.: Sole Source

Gentlemen,

Please be advised that Mackenzie Automatic Doors Inc. is the sole source for Stanley Door and Ellison Balanced Door parts in the New York area. MacKenzie entered into a contract with Stanley in June of 1992 to be the sole distributor and representative for new equipment and parts. These agreements are currently in effect.

If there are any additional questions regarding this matter please do not hesitate to contact me at (917) 613-8621.

We appreciate the opportunity to serve you.

Sincerely,

Donald P Mattson
Assistant Vice President

DPM/dm

State Comptroller's Comments

We stand by our conclusion in the report. Although the College obtained a sole-source letter from the door manufacturer stating that the vendor is the exclusive authorized distributor of the automatic doors, this letter does not indicate that this is the only vendor capable of providing maintenance services on the doors. We contacted several other automatic door service vendors in the area who advised us that they are capable of servicing these automatic doors. In addition, on March 3, 2009, we contacted a representative from the manufacturer of the doors and were advised that these doors were no longer under warranty. Therefore, there is no reason why the school should have not competitively bid these services.