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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 20, 2011

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

Re: Report 2010-F-39

Dear Chancellor Goldstein:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article III, Section 33 of the General Municipal Law, we have followed up on the actions taken by officials at Kingsborough Community College (KCC) to implement the recommendations contained in our audit report, *Kingsborough Community College: Selected Financial Management Practices* (Report 2008-N-9).

Background, Scope and Objective

The City University of New York (CUNY) is the largest urban university system in the United States. It consists of 11 senior colleges, 6 community colleges, and several other specialized and professional schools. CUNY serves more than 260,000 degree-credit students and 273,000 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, such as the My Turn program for senior citizens. For the school year ended June 30, 2010, KCC incurred \$85 million in expenses - \$73 million of that amount was allocated to payroll and other personal services. CUNY's Purchasing Policy Manual and CUNY's Tuition and Fee Manual list the financial operation procedures that govern KCC's procurements, tuition waivers, and payroll.

Our initial audit report, issued on September 10, 2009, covered the period July 1, 2006, through January 20, 2009, and examined whether KCC complied with financial operation procedures for procurements, tuition waivers and payroll. The objective of our follow-up was to assess the extent of implementation, as of October 6, 2010, of the seven recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that KCC officials have made progress in correcting the problems we identified. Of the seven prior audit recommendations, three recommendations have been implemented, two have been partially implemented, and two have not been implemented.

Follow-up Observations

Recommendation 1

Solicit bids for all purchases of goods and services that cost \$5,000 or more.

Status - Implemented

Agency Action - To determine whether KCC officials were in compliance with the procedures in CUNY's Purchasing Policy Manual, we selected and reviewed a sample of five purchases that cost more than \$5,000 each. We found that bids were solicited for each of the five purchases.

Recommendation 2

Ensure that only authorized KCC personnel procure goods and services.

Status - Implemented

Agency Action - KCC officials told us that only authorized personnel procured goods and services. We reviewed a sample of five purchase orders and found that all five were indeed approved by authorized KCC personnel.

Recommendation 3

Ensure that sole source designations are used in proper circumstances.

Status - Not Implemented

Agency Action - We reviewed a sample of four sole source procurements to determine whether KCC officials had ensured that these designations were used in the proper circumstances. We found that, rather than making their own determination of whether or not each of the four items could be provided by just one source, KCC officials, in each instance, relied on a letter from the vendor indicating that the item could only be procured from that vendor.

KCC officials advised that, in addition to a vendor's sole source self-declaration, they will now advertise their intent to procure that item. Further, all sole source purchases will be reviewed and discussed by the Purchasing Director and Business Manager before any purchase orders are processed.

Recommendation 4

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

Status - Partially Implemented

Agency Action - We reviewed the files for a sample of five students who received tuition waivers during the Spring 2010 semester. Our review found that KCC officials maintained adequate proof of age for each of the sampled students. However, they did not maintain the residency documents required by CUNY's Tuition and Fee Manual.

KCC officials acknowledged that the required proofs of residency were missing for the five sampled students and advised us that they have initiated actions to verify residency for all students currently in the program. KCC officials further advised that this recommendation will be fully implemented during the Spring 2011 Semester.

Recommendation 5

Record undistributed paychecks in a log.

Status - Partially Implemented

Agency Action - To determine whether undistributed paychecks were being recorded in a log, we conducted a surprise visit of the KCC Bursar's Office on September 29, 2010. We found that all 23 undistributed paychecks for the August 20, 2010, payroll had been recorded in the log. However, we also found that 43 undistributed paychecks from the September 3, 2010, payroll had not been recorded in the log.

KCC officials advised us that the employee responsible for recording undistributed paychecks in the log had been on sick leave for several weeks. As a result, the undistributed paychecks for the September 3, 2010, payroll had not been recorded in the log.

Recommendation 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.

Status - Implemented

Agency Action - On January 8, 2009, KCC officials developed and implemented formal procedures specifying that all undistributed paychecks are to be returned to the Office of Payroll Administration 39 days after the payroll date.

Recommendation 7

Obtain written supervisory pre-approval before paying overtime.

Status - Not Implemented

Agency Action - We reviewed overtime records for a sample of five employees. Our review determined that four of the five employees had not received written supervisory pre-approval in 39 of the 51 instances where they had worked overtime. KCC officials acknowledged that pre-approvals were not always obtained. They advised that, even when KCC's Facilities Director determined that overtime was necessary, the requested pre-approval from the Vice President for Finance and Administration was often received after the work was completed. Going forward, the Vice President for Finance and Administration has delegated to the Facilities Director and the Director of Public Safety the authority to approve overtime. This delegation will ensure that overtime is pre-approved, as the approval will coincide with the determination that the work must be performed.

We were advised that the fifth employee, who had earned \$33,102 in overtime payments in fiscal year 2009-10 while performing duties such as serving as the personal driver for the President of KCC and the Chancellor of CUNY, was not required to receive such pre-approval. Officials advised us that this employee, a member of KCC's Public Safety Department, is also a member of the CUNY Safe Team and receives instructions directly from CUNY Central Security. Officials further advised that KCC's Vice President of Finance and Administration exempted this employee from the pre-approval process because of the nature of his assignments and because requests for his services come from areas outside of Finance and Administration.

Major contributors to this report were Stephen Lynch, Rita Verma, Jonathan Bernstein and Brenda Maynard.

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

Very truly yours,

Kenrick A. Sifontes
Audit Manager

cc: Dr. Regina S. Peruggi, President, KCC
Mr. Gordon Taylor, CUNY Internal Audit and Management Services
Mr. Thomas Lukacs, DoB