

State of New York
Office of the State Comptroller
Division of Management Audit
and State Financial Services

**CITY UNIVERSITY OF NEW YORK
HUNTER COLLEGE**

**SELECTED FINANCIAL
MANAGEMENT PRACTICES**

REPORT 97-S-32



H. Carl McCall
Comptroller



State of New York Office of the State Comptroller

Division of Management Audit and State Financial Services

Report 97-S-32

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Dear Dr. Kimmich and Dr. Caputo:

The following is our audit report on selected financial management practices at Hunter College.

We conducted our audit 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. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

December 11, 1998

Executive Summary

City University of New York Hunter College Selected Financial Management Practices

Scope of Audit

Hunter College (Hunter or the College), which began operations in 1870, is the largest school in terms of enrollment in the City University of New York (CUNY) system. Hunter has more than 18,000 students and 1,850 State employees, including 1,200 faculty. As of June 1997, Hunter's total operating budget was \$75 million.

Our audit addressed the following questions about Hunter's financial management practices for the period of July 1, 1994 through January 31, 1998:

- Does Hunter College maximize tuition revenues and dormitory rent collections?
- Does Hunter College have the necessary controls in place to ensure proper safeguards over equipment?

Audit Observations and Conclusions

We found that Hunter College needs to strengthen controls over tuition revenues and dormitory rent collections. Students have been registering for classes without having satisfied past-due tuition obligations, and have been residing in the dormitory without paying past and present rents. In some instances, the dormitory residents were part-time students at Hunter; in others, they were not registered at the College at all, in violation of Hunter's dormitory regulations.

In addition, we found that procedural problems with student financial aid were causing the College's Student Information System to underestimate amounts owed by students. Also, communication problems, with similar results, were evident between the dormitory staff and the Bursar's Office. (See pp. 4-5 and p. 12)

We also found that, despite a CUNY policy that allows Hunter to set due dates for payment of tuition and fees and to charge students additional fees if they do not pay on time, the College has done neither. We found some students owed Hunter more than \$1,000 in tuition and fees from prior semesters, dating as far back as the 1992-93 school year. In addition, Hunter staff did not always classify the tuition receivables properly; they were recorded as due from the various sources of financial aid even when that aid had been either reduced or denied. In fact, the liability became the student's, not the financial aid source. (See pp. 4-5)

For the fall 1997 semester, we found that 44 dormitory residents owed nearly \$28,000 in rents from prior semesters. Five of these 44 were not even matriculating students in the fall 1997 semester; they owed \$5,000 in rents from prior semesters and none had paid rent for the fall 1997 semester. As of January 1998, the College's dormitory receivables amounted to more than \$176,000 due from 232 current and former students. (See pp. 9-12)

In addition, we found that Hunter was maintaining a number of unoccupied dormitory rooms. Some of the vacant rooms needed minor repairs, but they had not been fixed in a timely manner, according to College officials, because of staff limitations. Thus, the rooms had been left vacant for an entire semester, and Hunter lost rent that could have been used toward room repairs and maintenance. (See pp. 12-13)

We found that controls over Hunter's equipment inventory also need improvement. Equipment was not being tagged upon receipt, lost or missing items were not being reported as required, and some of the pieces of equipment that were more than 15 years old were never-used. (See pp. 17-20)

In the sample of 165 items that we examined, we found that 42 were not tagged as required. In addition, 25 items were still in their original boxes and 4 items could not be found. (See pp. 18-20)

Comments of Hunter Officials

Hunter officials agreed with most of our recommendations.

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Introduction

Background

The City University of New York (CUNY) is the largest urban university system in the United States, with 21 campuses in the 5 boroughs, including 10 senior colleges. Hunter College (Hunter or the College), which began operations in 1870, is the second oldest college in the CUNY system. It enrolls more than 18,000 students each year, including full-and part-time students and graduate students, and employs 1,200 full-time and part-time faculty. As of June 1997, Hunter had about 1,850 employees and a total operating budget of \$75 million.

Hunter College offers instruction at five separate locations in Manhattan. Besides the main school located at 68th Street and Lexington Avenue, it operates the Brookdale Campus School of Nursing at 25th Street and 1st Avenue, the Social Work Campus at 79th Street and Lexington Avenue, the MFA Art Studio Building at 41st Street and 9th Avenue, and the Campus Schools (junior high and high school) at 94th Street and Park Avenue.

The College also operates residences for a limited number of students. In September 1997, the CUNY Board of Trustees approved a five percent increase in Hunter's dormitory room rents, effective with the spring 1998 semester. In this first rent increase since 1988, the cost of a single room rose to \$1,890 per student per school year.

Audit Scope, Objectives, and Methodology

We audited selected financial management practices at Hunter College for the period July 1, 1994 through January 31, 1998. Our audit objectives were to determine whether Hunter was maximizing its collection of tuition and dormitory revenues and whether Hunter had established adequate internal controls over equipment inventory. To accomplish these objectives, we reviewed applicable laws and the policies and procedures of both CUNY and the College; interviewed the appropriate Hunter officials; and reviewed selected College reports, records, documents, and files.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Hunter College which are included within the audit scope. Further, these standards require that we understand Hunter's internal control structure and its compliance with

those laws, rules and regulations that are relevant to those operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an “exception basis.” This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of Hunter College’s internal control structure identified weaknesses in tuition and dormitory revenue collection and safeguarding of equipment inventory. The weaknesses are further explained in the sections of this report entitled “Collection of Tuition Revenues,” “Collection of Dormitory Rents,” and “Equipment Controls.”

Response of Hunter Officials to Audit

A draft copy of this report was provided to Hunter officials for their review and comment. Their comments have been considered in the preparation of this report and are included as Appendix B.

Within 90 days after 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, the reasons therefor.

Collection of Tuition Revenues

According to the CUNY Tuition and Fee Manual (Manual), “a registered student is one who has selected courses, been billed for these courses and has satisfied his tuition and fee obligation for that term prior to the first day of classes. The term ‘satisfied’ refers to either: a) a payment by cash, check or credit card, b) approved financial aid, c) financial aid, hardship or veterans deferrals, d) waivers, scholarships or accepted third party receivables or e) any combination of the above. Students who have not completely satisfied their tuition and fee obligations before the first day of classes are not considered registered and therefore, their ‘conditional’ registrations must be canceled. These canceled students will not appear on class rosters or enrollment records and are not permitted to attend classes...if the obligations are not completely satisfied before the first day of classes, registration must be canceled.”

The Manual also states that “Students who are delinquent in paying tuition and fees by the college’s established due dates will be required to pay a \$15 fee for each missed due date.”

Policy guidelines established by the CUNY Board of Trustees regarding students who have not satisfied their financial obligations with the colleges prohibits such students from registering for new courses; receiving their course grades or transcripts; or participating in Federal student assistance programs, including the Pell grant program.

Noncompliance with Manual and Policy Requirements

The College does not adhere strictly to CUNY directives that students must have paid or must have made financial arrangements to pay their tuition before the first day of classes in order to have their registration accepted. Instead, Hunter allows students to register up to the third week after the first day of classes without having satisfied their financial obligations. We found that students with outstanding tuition and fees from prior semesters were registering for courses. College officials indicated to us that collecting amounts due is a high priority, but that registering students for courses and ensuring that those students receive a quality education is a higher priority. Therefore, officials indicate that Hunter exercises some leniency in allowing students to register and attend classes without satisfying obligations. They point out that the College collected \$48 million (89 percent) of amounts due for the 1996-97 school year as of July 31, 1997. They also stated that students having obligations from prior semesters must sign promissory notes to repay the amounts due. In

addition, officials indicated that if financial aid is denied it would be inappropriate to cancel a student's registration because of it.

While there may be merit to these arguments, Hunter's practices do not comply with the stated requirements of the Manual or CUNY policy guidelines. As a result, the College's student accounts receivable are significantly higher than would be appropriate if CUNY criteria regarding satisfaction of obligations had been followed. Documents from CUNY show that Hunter has the highest accounts receivable in the Senior College CUNY system; over one million dollars higher than the next highest college. Hunter's accounts receivable represents about 19 percent of the total Senior College system accounts receivable according to CUNY records. Of the \$5.7 million of uncollected tuition and fees for the 1996-97 school year, \$4.5 million was, according to Hunter's records, directly receivable from students (as opposed to being receivable from financial aid or other sources) as of July 31, 1997.

Response of Hunter Officials to Audit: Hunter officials replied that during fiscal year 1997-98 the College exceeded its tuition collection target by almost \$3 million.

When we asked College officials for the total student accounts receivable that were over a year old, they were unable to supply us with that information. We were told that unsettled tuition obligations for periods prior to the summer 1996 semester have already been turned over to a collection agent to pursue. We believe that Hunter should strive to settle its student obligations in a manner that complies with the Manual and CUNY policy guidelines. The College is not pursuing the billing and collection of late fees. It has not set payment deadline dates, and has not implemented the late fee charge that is required by the policy guidelines.

Reporting Student Receivables

We selected a judgmental sample of the accounts of ten students who owed more than \$1,000 each in tuition and fees as of August 29, 1997, for the 1996-97 school year and had registered for the 1997-98 school year. In addition, we selected eight students from a judgmental sample of accounts of students who owed, as of October 10, 1997, both dormitory rent and tuition as well as other fees pertaining to the fall 1992 through spring 1997 semesters. We combined the samples into one so that we could examine the financial effects of the practices Hunter followed in settling student obligations and so we could determine whether amounts due had been reported accurately in the College's records. Because one of the selected amounts was settled before our examination

began, our sample actually consisted of 17 student accounts. The total obligations for these 17 accounts was \$23,281; some obligations were more than a year old.

According to Hunter's Student Information System (SIMS), the official record of student accounts, ten outstanding amounts were shown as due from sources such as the New York State Tuition Assistance Program (TAP) and the Federal Direct Student Loan Program. However, our examination determined that for 8 of these 10 accounts, SIMS was incorrect and the amounts shown as due from TAP or the Federal loan program were instead due directly from the students. For example, SIMS showed that one student's account would be satisfied by \$1,440 of TAP funds for the fall 1996 semester; but his application for a TAP award had been denied for that semester because he did not meet residency requirements. Despite a July 15, 1997, notification that the student had not qualified for the award in 1996, SIMS was not updated to reflect the change in obligation. He was still allowed to register for the fall 1997 semester without signing a promissory note for his personal obligation; and the \$1,440 remained outstanding as of January 1998. For students who had not even filed a financial aid application or had applied for aid well after the start of the semester for which amounts were owed, SIMS attributed outstanding amounts to the Federal loan program.

We attribute these inaccuracies in the reporting of SIMS student accounts receivable to the following conditions:

- SIMS has been updated without verification that there was adequate supporting documentation of payments due from TAP or the Federal Direct Loan Program;
- there is no written procedure for processing financial aid information on SIMS; and
- students need to be encouraged to file financial aid forms before the school year begins, and the Financial Aid Office should maintain a copy of all loan applications.

Recommendations

1. Comply with CUNY guidelines and do not allow students to register if they have outstanding tuition receivables from prior semesters.

(Hunter officials replied that the College will further strive to comply with CUNY guidelines for the collection of tuition and fees.)

2. Establish payment-due dates and charge students the appropriate late-payment fees when they do not pay on time.

(Hunter officials replied that every semester the College establishes payment due dates which are expressly stated on each bill. Officials indicated that late fees are assessed unless special circumstances apply.)

Auditors' Comments: Hunter officials need to ensure that these requirements are adhered to.

3. Improve the accuracy and reliability of SIMS by revising in a timely manner the changes in the responsibility for the financial obligations, so it will identify those students who are directly responsible for paying their own tuition.

(Hunter officials agreed to convey this recommendation to CUNY which schedules and performs SIMS revisions.)

4. Verify that adequate supporting documentation is available before recording on SIMS that certain tuition payments are due from TAP or the Federal Direct Loan Program.

(Hunter officials replied that a newly hired director for the Financial Aid Office has revised policy and procedures to assure financial aid documentation is properly maintained.)

5. Ask CUNY to prepare a written procedures manual for the processing of financial aid information on SIMS.

(Hunter officials agreed to convey this recommendation to CUNY.)

Recommendations (Continued)

6. Require students to file financial aid forms before the school year begins.

(Hunter officials replied that the College strongly encourages students to file financial aid forms before the semester commences, but students don't realize they need or are entitled to financial aid until they register for classes. They added that students may apply for Federal Direct Loans at any time during the school year.)

Auditors' Comments: The CUNY Tuition and Fee Manual requires that students who have not satisfied their tuition and fee obligations before the first day of class are not considered registered and must have their conditional registrations canceled.

7. Ensure that the Financial Aid Office maintains a copy of all student loan applications.

(Hunter officials replied that a newly hired director for the Financial Aid Office has revised policy and procedures to assure financial aid documentation is properly maintained.)

Collection of Dormitory Rents

Hunter College is the only school in the City University of New York system that maintains student dormitories. Students may rent individual rooms or apartments in two buildings at the Brookdale Campus, which is located at 1st Avenue and 25th Street in Manhattan. The North Building Residence Hall includes 543 rooms and apartments from the mezzanine to the 12th floor. In the East Building Residence Hall, which was purchased from nearby Bellevue Hospital (Bellevue or the hospital), Hunter controls and supervises 150 apartments. Under the purchase agreement with the hospital, the College sets aside 86 apartments for nurses who are employed at Bellevue. During the 1996-97 fiscal year, Hunter's dormitory revenues totaled \$1.2 million.

According to the Hunter Dormitory Guide, full payment for room fees is required in August for the fall semester and in December for the spring semester and the winter inter-session. Housing fees for the summer session must be paid by the end of May. Failure to make the required payments by these deadlines will result in late fees and/or the termination of the Residence Hall Agreement (Agreement) that secures the room for the student. Each resident must sign the Agreement, which is in force for one year if the resident checks in during the fall semester. The Agreement is in force for just one semester if occupancy begins during the spring semester. Assignments to the residence halls are limited to full-time, matriculated Hunter College students. To qualify, students must register for and maintain 12 undergraduate or 9 graduate credits per semester. Residents must provide proof of school registration when they check in to the dormitories and at the beginning of each subsequent semester. According to the application acceptance form for the residence halls, students will not be allowed to check in without proof of full-time registration and proof of payment (a receipt from the Business Office or a copy of a signed power of attorney that gives the College permission to deduct the rent due from future financial aid).

An "M" stop is to be placed on the SIMS record of students who fail to pay their dormitory rent. It is designed to prevent unqualified applicants from living in the dormitory, registering for classes, and/or obtaining official College transcripts.

We found that Hunter officials have not made aggressive efforts to pursue the collection of outstanding dormitory rents, and that they do not apply late charges for past-due rents. Hunter officials have not brought eviction

proceedings against dormitory residents who failed to pay their rent and/or are not full-time matriculated students of the College.

Controls Over Dormitory Rent Collections

When we compared the fall 1997 semester listing of dormitory residents to the Bursar's list of dormitory accounts receivable, we found that 44 of the 588 residents owed rent totaling \$27,793 from prior semesters. Five of these 44 residents were not matriculating students for the fall 1997 semester and owed a total of \$5,030 in dormitory rents for prior semesters. None had made rent payments for the fall 1997 semester. College officials told us they had never attempted to evict students from the dormitory for not paying rent and/or for not being full-time students. In contrast, Hunter's Resident Handbook for Nurses states that the Bellevue nurses living in the dormitory will be locked out of their rooms if they fail to pay their rents by the 15th of each month. We do not know whether this procedure has ever been followed.

We selected a judgmental sample of nine current and former dormitory residents who owed the largest amounts of rent as of August 1997. All nine students had been allowed to reside in the dormitory and accumulate debts for three to four semesters; all had been billed for the rent they owed. For example, one student did not pay his dormitory rent while he was a full-time student in February 1993, but he continued to live in the dormitory without registering for classes and without paying rent during the summer 1993, fall 1993 and spring 1994 semesters, after which he left.

The rents owed by these nine individuals ranged from \$1,560 to \$3,473; eight of them also owed a total of \$8,699 in unpaid tuition for previous semesters. The individual debts due to Hunter from these nine ranged from \$2,080 to \$5,760 for both housing and tuition.

Two of the nine were still attending Hunter during the fall 1997 semester, but no "M" stops had been placed on their SIMS records. One of the two was living in the dormitory.

Not only had eight of these nine students lived in Hunter's dormitory without paying rent; they also did not meet the full-time student requirement. According to Registrar records, these 8 students had met the full-time matriculating student requirement in just 10 of the 29 semesters they had lived in the residence halls. During the 19 semesters when the group did not meet this requirement, they were part-time students for 5 semesters; and they were not even registered at the College for 14

semesters. According to Hunter officials, some of these students had initially registered for a full course load and then dropped out or withdrew from classes. However, we found that in 16 (84 percent) of these 19 semesters, the students had failed to register at the beginning of the semester for the number of course credits that would make them eligible to live in the dormitory.

We also found that part-time instructors on Hunter's payroll had been housed in one of the College's dormitories. When we checked the registration status of the 24 instructors living in the dormitory during the spring and fall 1997 semesters, we found that just one had registered for courses as a full-time student at Hunter, as required by official College policy. One of the 23 non-students has lived in the residence hall since the fall 1994 semester.

Students who fail to pay on a timely basis are not penalized with late charges. A brochure distributed by the College entitled "Living at Hunter" states "Do not ignore payment deadlines, this will result in late fees and/or the termination of your housing contract." According to the Bursar and the dormitory director, no schedule of late fees has been established. In contrast, the nurses from Bellevue are charged an additional \$20 if they fail to pay by the 10th of the month; and they incur a \$2 charge for each additional day after the 15th.

As a result of the poor collection efforts, housing-related accounts receivable continue to increase. As of January 15, 1998, dormitory receivables had climbed to \$176,354; amounts owed by 232 students. However, subsequent to our field work, Hunter officials told us that 160 of the students had covered these charges by signing power of attorney forms. We did not test this statement. Hunter officials told us that none of the Bellevue nurses, who are required to pay monthly rents of \$315, were in arrears for rent.

Under Hunter's prior computerized revenue and student accounts system, dormitory rent due was recorded along with tuition and fees. Now, it is no longer recorded on SIMS. It is recorded in a separate account maintained by one individual; it is not matched with tuition records.

On October 25, 1996, Hunter officials turned over dormitory rents owed prior to July 1994, along with tuition and other rent due, to collection agents. Not until December 8, 1997, after we had completed our audit, were the dormitory rent receivables from July 1994 through the fall 1996 semester turned over to collection agents. These were past-due accounts

from 111 students who owed a total of \$84,572. Hunter's collection efforts included sending billing letters and placing stops on some of the students' accounts.

Communication between the Bursar's Office and the dormitory staff also needs to be improved. For instance, in a review of actual dormitory room assignments as of October 24, 1997, we found that the names of 23 of the residents were not on the official list for that semester, which had been sent by dormitory personnel to the Bursar. When we followed up on January 16, 1998, we found that the Bursar had not billed and was never paid the amounts owed by 4 of these 23 residents; a total of \$4,050 for the fall 1997 semester. One resident had not even paid the dormitory application fee.

Unoccupied Rooms

Our review of room occupancy at the dormitories for the fall 1997 semester found that 10 rooms were being held vacant because of building condition emergencies; and another 23 rooms were unoccupied all semester, waiting to be repaired. We questioned the number of rooms being held for emergencies and recommended that dormitory officials reassess their needs. After we expressed our concerns, the number was reduced to six for the spring 1998 semester, freeing up four rooms that could generate an additional \$4,000 for the College. We walked through the dormitory on October 24, 1997, and observed that many of the 23 rooms simply needed minor repairs or repainting. We were told that the painter/maintenance employee was out indefinitely on disability and there was no other person to perform the needed repairs. When we rechecked on January 29, 1998, 12 of the rooms had been repaired and rented; but 11 were still vacant. By not repairing those rooms and making them available, Hunter lost \$23,000 in income for the fall 1997 semester and would have lost another \$9,240 for the spring semester if the rooms were not fixed in time.

All of Hunter's dormitory residents are required to sign a Residence Hall Agreement, a contract that lists terms and conditions they are expected to meet during their period of residence. The signed Agreement is then to be filed in the Housing Office. When we checked the files of a judgmental sample of 13 dormitory residents in the fall 1997 semester, we found that two had not signed Agreements. For another four, the files contained only signed Agreements from prior years, despite the requirement specified in the dormitory guide that a new Agreement must be signed every year. One had been signed as far back as August 1994.

Hunter has a long list of full-time matriculated prospective residents who would like to live in one of its dormitories. Therefore, officials should seek to maximize the number of available rooms through better maintenance, and should show preference to students who qualify for the privilege of living in them.

Recommendations

8. Restrict dormitory residency to students who comply with payment/matriculation rules. Determine what actions need to be taken if they fail to comply.

(Hunter officials replied that they will implement this recommendation. They outlined actions they planned to take.)
9. Apply late-payment penalties where appropriate.

(Hunter officials replied that they will implement this recommendation.)
10. Adapt SIMS to include billing and payment information for dormitory rents.

(Hunter officials replied that the College has created a Windows software program that will be implemented in the spring 1999 semester to respond to this recommendation.)
11. Place "M" stops on all the SIMS records of all students who owe dormitory rent.

(Hunter officials replied that they will implement this recommendation.)
12. Turn over accounts receivables to collection agents in a timely manner.

(Hunter officials replied that accounts classified as bad debts are currently forwarded to collection agents annually when the accounts are aged 12-24 months.)
13. Improve communication between dormitory staff and the Bursar's Office regarding dormitory occupancy and residents' billings and collections.

(Hunter officials replied that Administration and Student Services has collaborated to promote a clearer line of communication between the Bursar's Office and Residence Hall Office.)

Recommendations (Continued)

14. Maximize the number of available rooms and apartments through timely maintenance and repair.

(Hunter officials replied that the College has worked to improve the timeliness of maintenance and repair of the Residence Hall.)

15. Ensure that each dormitory resident signs a Residence Hall Agreement for each year he or she lives in the dormitory.

(Hunter officials replied that Student Services has worked to assure that the Residence Hall staff obtain and maintain a signed Residence Hall agreement from each student in residence.)

Equipment Controls

Hunter College utilizes the computerized CUNY Inventory System (CIS) to control its equipment inventory. According to CUNY policy, only items costing \$500 or more had to be inventoried during the 1994-95 and 1995-96 fiscal years. As of the 1996-97 fiscal year, the limit has been raised to \$1,000. According to CIS records, Hunter had 14,556 equipment items in its July 1997 inventory. Hunter officials were unable to give us a dollar value of these items.

According to a 1996 CUNY internal audit of the controls over fixed assets, the results of the most recent inventory performed by Hunter's property manager found that, of the College's total inventory of more than 21,500 items, valued at \$32.5 million, equipment worth \$24.5 million could not be found. When Hunter performed an inventory count in 1997, its property manager was able to locate just 9,131 (62.7 percent) of the inventory items. For instance, of the 7,592 items that were supposed to be in the North building of the Main Campus, 3,695 (48.7 percent) could not be located.

The College's main library is located in the East Building of the Main Campus; other libraries are also located on the Brookdale Campus and at the School of Social Work. According to inventory records, the main library had 754 equipment items with a total value of \$783,862 in October 1997. Based on the 1997 inventory, 199 items with a total value of \$216,102 were not found.

Our audit focused on the library equipment because of a complaint received by the Office of the State Comptroller (OSC) concerning the purchases of equipment. During the 1994-95, 1995-96, and 1996-97 fiscal years, the Library had purchased a total of \$256,188 worth of equipment and supplies. We found that equipment items were not being inventory-tagged on a timely basis; lost or missing items were not being reported; and equipment was being stored that had never been used and was still in the original boxes.

Improvements Needed

According to the New York State Accounting System User Procedure Manual, all materials and supplies received by an agency must be counted and inspected on receipt. This is a basic internal control function. Each item of equipment is to be identified by a serial number, which is to be used in the control records maintained by the agency. To keep these

records up to date, the property manager or the manager's designated representative should take an annual physical inventory of the equipment assigned to each location.

When equipment is assigned to an area, the supervisor of the location unit where the equipment is assigned becomes responsible for the equipment. All items assigned to a location unit should be listed on a record of physical inventory of equipment, a copy of which is to be kept on file in the location unit. The supervisor of each location unit is responsible for reporting promptly any loss or misuse of equipment, and for identifying and reporting any surplus or underutilized equipment. If equipment is lost or stolen, it should be written off; items in excess of \$250 should be reported to OSC. The circumstances concerning the loss of theft, and the measures taken to recover the missing equipment, should be documented and retained for audit purposes.

One of the most significant aspects of the equipment control system is equipment utilization. It is the responsibility of the property manager and certain other individuals at particular locations to maintain control over equipment, verify that the agency continues to need the equipment at that location, identify underutilized equipment, and make arrangements for the disposal of any equipment that is no longer necessary.

We attempted to verify the physical existence of 165 items purchased with a value of more than \$200,263 for the Library from July 1, 1994 to June 30, 1997. Each of these items had an individual cost of \$250 or more, except for computer monitors, which are described in Hunter records as costing nothing (\$0) because they come packaged with the computers. Our observations were made from December 15, 1997 to January 14, 1998.

Only 59 of the items were assigned an inventory identification number, including all 19 monitors with a cost of \$0. There were 29 items of \$500 or more purchased during 1994/95 and 1995/96 fiscal years which were not tagged. There were another 13 items of \$1,000 or more purchased during the 1996-97 fiscal year which were not tagged. The total dollar value of the 42 items not tagged was \$94,966. The equipment not tagged included computers, printers, copiers, and a book check. There were 64 items that did not require a tag because the cost of these items was below limits set in CUNY guidelines.

The current property manager explained that his predecessor had fallen behind in the recording of inventory. (He said the annual equipment inventory for the entire school takes up to three months to complete.) Most of the items purchased during the 1994-95 and 1995-96 fiscal years had not been recorded; he said he had been instructed to inventory the most-recently-purchased items as they come in, then to inventory the items from the preceding years when he is caught up with the current backlog. Another factor adding to the delay is the antiquated CIS software. It is time-consuming to enter data into the system, and the property manager has been unable to manipulate the data to produce the reports he needs. Although he has the complete inventory list and the cost of each item, he cannot determine the total value of inventory on hand or missing from the CIS. This information can only be obtained by making a special request to CUNY Central. Hunter's Executive Director for Finance and Business told us that this system was in the process of being updated.

In our inventory search, we were unable to locate 4 of the 165 library items with a total cost of \$3,484. These items included a scanner, a modem, a computer, and a monitor. We found that just two reports of missing or stolen equipment had been made to Campus Security in November 1996 and January 1997. Only the missing scanner was among the items reported stolen. The other items on the theft reports, 6 computers, were not among the items in our sample. The property manager said that neither security nor Library officials had notified him of these thefts. In turn, the Director of Security told us that the property manager does not notify him about items that are not found in the annual inventory. Nor has OSC been notified when equipment valued at more than \$250 has been lost or stolen. College officials maintain that they do not have to report the loss or theft of fixed assets to OSC. the loss or theft of fixed assets. However, CUNY is required by provisions in Section III-1, Volume XI, of the Comptroller's User Procedure Manual, to report such losses as an asset control function.

We also found another 25 items that were unused and still in boxes. The cost of this equipment, which included monitors, computers, video players, and a printer, was \$16,081. One item had been purchased in January 1995. We sighted other unused items that were not among the sample of equipment we were looking for, including boxes of stereo turntables that had been purchased as far back as 1983 and were still being stored on the second floor of the Library and a fax machine that had been purchased for \$2,600 in 1992. These items are a reflection of management's inadequate planning of equipment needs, which has led to

the expiration of manufacturer warranties on unused/underutilized equipment before the item had been utilized fully.

Subsequent to our field work, Hunter began to undertake a system-wide overhaul of its equipment control practices.

Recommendations

16. Comply with appropriate SUNY/CUNY guidelines concerning equipment inventory procedures.
17. Tag equipment items in a timely manner.
18. Improve communication regarding lost or stolen equipment items. Report to the State Comptroller all lost or missing items valued at more than \$250.
19. Identify obsolete equipment and dispose of it according to proper procedure.

(In response to recommendations 16 through 19, Hunter officials stated that the College hired a new Property Manager who is charged with improving the accuracy of the asset inventory list within CUNY guidelines.)
20. Evaluate the justifications for all purchases; follow up purchases to verify that the equipment was used for its intended purpose.

(Hunter officials replied that policy and procedures for purchasing equipment requires that an authorized individual sign a purchase requisition. They added that it is not an appropriate role for either the Property Manager or the Purchasing Director to evaluate whether a purchase is justified.)

Auditors' Comments: The presence of unused equipment items which are still in boxes warrants that the College focus attention on the justification and use of purchased equipment.

Major Contributors to This Report

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Bill Nealon
Tony Carbonelli
Keith Murphy
Leota Bernard
Anil Watts
Marticia Madory

Office of the President



November 4, 1998

Mr. Jerry Barber
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State of New York
Office of the State Comptroller
A.E. Smith State Office Building
Albany, N.Y. 12236

Re: **AUDIT RESPONSE - NYS REPORT 97-S-32**

Dear Mr. Barber:

Hunter College has had the opportunity to review the draft audit report (97-S-32) on "selected financial management practices within Hunter College. I have asked the appropriate staff to review the audit report and respond accordingly. Should you have additional questions, please call Vice President Thomas Tyburczy at (212) 772-4461.

COLLECTION OF TUITION REVENUES

The following recommendations are based on a "judgmental sample" of 10 student accounts which were in arrears for more than \$1,000. In addition, the auditors included a judgmental sample of 8 students who owed dormitory rent.

Recommendation #1: Comply with CUNY guidelines and do not allow students to register if they have outstanding tuition receivables from prior semesters.

College Response: Hunter College will further strive to comply with CUNY guidelines for the collection of tuition and fees. The vast majority of our 19,000 plus students must settle any prior semester debts before attending class for the current semester. However, in those cases where the College has evidence that financial aid may cover all debt, it will allow the student to register. Hunter College will manage these exceptions on an individual basis.

During fiscal year 97/98, Hunter College exceeded its tuition collection target (Established by CUNY) by almost \$3 million or 5.6%.

Recommendation #2: Establish payment-due dates and charge students the appropriate late-payment fees when they do not pay on time.

College Response: Every semester, Hunter College establishes payment due dates which are expressly stated on each bill generated by the Registrar's Office. Students will be assessed the required late fee unless a special circumstance is applicable. If a student signs up for a tuition payment deferral with American Management Services (AMS), no late fees apply. If a student changes their courses during late registration, no late fees apply.

Recommendation #3: Improve the accuracy and reliability of SIMS by revising in a timely manner the changes in the responsibility for the financial obligations, so it will identify those students who are directly responsible for paying their tuition.

College Response: SIMS revisions are scheduled and performed by CUNY. On a periodic basis, CUNY holds meetings with college representatives to discuss SIMS issues. In a future meeting Hunter College will convey this recommendation.

Recommendation #4: Verify that adequate supporting documentation is available before recording on SIMS that certain tuition payments are due from TAP or the Federal Direct Loan Program.

College Response: April 1998, Hunter College hired a new director for the Financial Aid Office, who has since revised the policy and procedures within the department to assure financial aid documentation is properly maintained and recorded on SIMS.

Recommendation #5: Ask CUNY to prepare a written procedures manual for the processing of financial aid information on SIMS.

College Response: On a periodic basis, CUNY holds meetings with college representatives to discuss SIMS issues. In a future meeting Hunter College will convey this recommendation.

Recommendation #6: Require students to file financial aid forms before the school year begins.

College Response: The college's Financial Aid Office strongly encourages students to file financial aid forms before the semester commences. However, often students don't realize they need or are entitled to financial aid until they register for classes. Students are entitled to apply for Federal Direct Loans at any time during the school year. It is the purpose of the Financial Aid Office to assist as many students as possible in obtaining financial aid.

Recommendation #7: Ensure that the Financial Aid Office maintains a copy of all student loan applications.

College Response: Per #4, Hunter College hired a new director for the Financial Aid Office, who has since revised the policy and procedures within the department to assure financial aid documentation is properly maintained and recorded on SIMS.

COLLECTION OF DORMITORY RENTS

Recommendation #8: Restrict dormitory residency to students who comply with payment/matriculation rules. Determine what actions need to be taken if they fail to comply.

College Response: The college will require students to pay dormitory fees prior to moving in unless financial aid is due or a payment plan is agreed upon. The college will revise the dormitory handbook "Living At Hunter" to better reflect the applicable policy and procedure for payment of room fees and terms of residence. The residence staff of the dormitory will also work with the Office of the Bursar and Registrar to monitor the status of students and their payments.

Recommendation #9: Apply late-payment penalties where appropriate.

College Response: The college will apply late fees where it is deemed appropriate by the college.

Recommendation #10 Adapt SIMS to include billing and payment information for dormitory rents.

College Response: In response to this issue, Hunter College has created a new Windows software program specific to dormitory rent collection. This program will be implemented for the Spring 1999 semester. Since Hunter College is the only

CUNY college with a dormitory, CUNY cannot modify the SIMS system for such a unique need.

Recommendation #11 Place "M" stops on all the SIMS records of all students who owe dormitory rent.

College Response: The Bursar Office will place "M" stops on the SIMS records of students who owe dormitory fees for prior semesters and have not signed a power of attorney for pending financial aid or have not made arrangements for a hardship deferral with the Residence Hall Office.

Recommendation #12 Turn over accounts receivables to collection agents in a timely manner.

College Response: Accounts classified as bad debts are currently forwarded to collection agents on an annual basis when the account(s) are aged 12-24 months. (For example: as of July 1998 Hunter properly forwarded sent to collection bad debt accounts from Summer 1996, Fall 1996, and Spring 1997.) Once a student receivable is classified as a bad debt, the college will first seek to exhaust internal efforts to collect from students.

Recommendation #13 Improve communication between dormitory staff and the Bursar's Office regarding dormitory occupancy and residents' billings and collections.

College Response: The college Administration and Student Services has since collaborated to promote a clearer line of communication between the Bursar's Office and Residence Hall Office. Commencing with the Fall 1998 semester, the Bursar's Office established a satellite cashiering area at the Residence Hall to better facilitate student payments and enhance communication with Residence Hall staff. In addition, the new dormitory software will formalize the collection of student data previously unassigned.

Recommendation # 14 Maximize the number of available rooms and apartments through timely maintenance and repair.

College Response: The college administration has worked to improve the timeliness of maintenance and repair of the Residence Hall. However, a minimum number of vacant rooms will always be required as swing space for unanticipated emergencies.

Recommendation #15 Ensure that each dormitory resident signs a Residence Hall Agreement for each year he or she lives in the dormitory.

College Response: Student Services has worked to assure the Residence Hall staff obtain and maintain a signed Residence Hall agreement from each student in residence.

EQUIPMENT CONTROLS

Recommendation #16 Comply with appropriate SUNY/CUNY guidelines concerning equipment inventory procedures.

College Response: February 1998, the college hired a new Property Manager who is charged with improving the accuracy of the asset inventory list within CUNY guidelines. At the same time the college added another full-time person devoted solely to maintaining the asset inventory, plus two part-time staff to assist with tagging and annual inventory.

Recommendation # 17 Tag equipment items in a timely manner.

College Response: Per # 16, the college has enhanced the staffing of the Property Management Office in order to tag equipment in a timely manner.

Recommendation #18 Improve communication regarding lost or stolen equipment items. Report to the State Comptroller all lost or missing items valued at more than \$250.

College Response: The new property manager is working with other college departments to encourage their reporting of lost or stolen equipment. In addition, the college Facilities Management is responsible for communicating departmental relocations to the Property Management Office.

CUNY guidelines require colleges to tag all equipment with a value in excess of \$1,000. Given the current staffing and budget levels, it is not feasible or efficient to tag items with a value between \$250 and \$999.

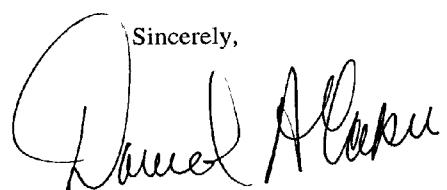
Recommendation #19 Identify obsolete equipment and dispose of it according to proper procedure.

College Response: In the past six months the new Property Manager has prioritized efforts to identify missing and obsolete equipment. This resulted in a \$1.8 million (approximately 30%) improvement in the equipment database from the prior year.

Recommendation #20 Evaluate the justifications for all purchases; follow up purchases to verify that the equipment was used for its intended purpose.

College Response: The policy and procedure for purchasing equipment requires that an authorized individual sign a purchase requisition. It is not an appropriate role for either the Property Manager or the Purchasing Director to evaluate whether or not a purchase is justified.

Sincerely,



David A. Caputo
President

cc: Interim Chancellor Christoph Kimmich

DAC:jst
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