



STATE OF NEW YORK  
OFFICE OF THE STATE  
COMPTROLLER

March 24, 1999

Dr. John W. Ryan  
Chancellor  
State University of New York  
State University Plaza  
Albany, NY 12246

Re: Report 98-F-10

Dear Dr. Ryan:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the State University of New York (SUNY) as of February 2, 1999, to implement the recommendations included in our audit report, *Controls Over Telephone Systems at Selected Campuses* (Report 95-S-59). Our report, which was issued on October 7, 1996, examined the controls that SUNY System Administration and the campuses maintained for telephone systems.

**Background**

SUNY consists of 29 State-operated campuses and five State-funded colleges at Cornell and Alfred. In addition, SUNY's System Administration provides direction and leadership for the University. Each campus manages all aspects of campus operations, including providing telephone services. With respect to telephone services, a campus may own a private branch exchange (PBX) or may lease a telephone system from a public telephone company. A PBX makes the campus a miniature telephone company with the ability to add and delete telephone stations, select calling options and account for calls. The telecommunications department at each campus supplies telephone services and is responsible for monitoring system use and seeking monetary recoveries, where appropriate, for personal calls and for calls made by non-State entities at the campus. The State Comptroller's accounting records show that SUNY spends about \$20 million annually on telephone costs.

**Summary Conclusions**

In our prior audit, we visited 8 of the 22 campuses that owned PBX systems. We found varying degrees of control in place among the campuses. Many of the campuses needed to improve collection efforts for personal calls and calls made by non-State users. We made recommendations to SUNY System Administration to implement to ensure adequate controls at the campuses.

In our follow-up review, we determined that controls have improved at certain campuses. However, internal controls over use of the PBX systems still require some strengthening. SUNY System Administration officials informed us that they will send this report to all campuses and will reiterate the necessity of taking corrective actions where appropriate.

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

Our prior audit contained three recommendations. We found that SUNY System Administration officials have implemented one recommendation, partially implemented one recommendation, and have not implemented one recommendation.

### **Follow-up Observations**

#### **Recommendation 1**

*Ensure that the campuses correct the control weaknesses detailed in the body of the report and summarized in Exhibit A.*

Status - Partially Implemented

Agency Action - In response to our audit, SUNY System Administration officials developed and issued an internal control bulletin to assist the campuses in strengthening internal control over their telephone systems. The bulletin discusses basic internal control principles that all the campuses need to consider concerning telephone system operation including establishing written control procedures, maintaining a telephone extension inventory, monitoring telephone activity reports, blocking out certain area codes, using personal identification numbers, using security access controls and collecting for calls where appropriate. The bulletin recommends that the campuses review their current internal controls, and it reminds campuses that improved controls should result in a more efficient telephone operation and could significantly reduce operating costs. System Administration officials maintain that campuses are responsible for correcting the internal control weaknesses cited in our audit.

Our follow up review of actions campuses have taken to improve their internal controls shows that, while many of the campuses have strengthened some of their controls over telephones, improvement opportunities still exist. For example, we found that some of the campuses could increase their use of personal identification numbers and their use of reports of telephone activity to identify personal calls and to obtain related reimbursements.

Auditors' Comments - As noted in SUNY's telephone controls bulletin, improved controls can result in more efficient telephone operations and reduced costs. We urge System Administration to continue to work with campuses to support efforts to strengthen controls.

**Recommendation 2**

*Ensure that the campuses pursue collection of personal calls identified during the audit.*

Status - Implemented

Agency Action - SUNY System Administration's recently issued internal control bulletin reminds the campuses that the New York State Accounting System User Procedures Manual requires that State agencies collect reimbursement for personal telephone use. The bulletin further notes that campus telecommunication departments need to provide accurate billing reports to department managers on a timely basis so that management can make reasonable efforts to pursue collection of personal calls with department employees. We contacted one of the campuses where we had identified unreimbursed personal phone calls during our prior audit. Campus officials informed us that they followed-up on this matter and determined that the records indicated that there were no monies due.

**Recommendation 3**

*Consider developing and issuing directives for campuses to follow in establishing adequate safeguards over their telephone systems.*

Status - Not Implemented

Agency Action - SUNY System Administration officials continue to maintain, as indicated in their original response to this recommendation, that they do not see a necessity to develop and issue such directives. First, the officials state that as a result of their recent initiative entitled "Rethinking SUNY" they are less controlling of financial operations and the campuses are empowered to directly manage their financial affairs. The officials also point out that Division of the Budget and OSC guidelines already address telephone equipment and usage. Thus, they disagree that they should issue such directives to the campuses.

Major contributors to this report were Karen Bogucki, Ricardo Pimentel, and Tom Kulzer.

We would appreciate your response to this report within 30 days, indicating any additional action planned or taken to address the unresolved matters discussed in this report. We also thank the management and staff of SUNY System Administration and the SUNY campuses for the courtesies and cooperation extended to our staff during this review.

Yours truly,

Jerry Barber  
Audit Director

cc: Charles Conaway