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OFFICE OF THE STATE
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August 27, 1998

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

Re: Report 98-F-11

Dear Dr. Ryan:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the State University of New York (SUNY) College at Buffalo, as of August 3, 1998, to implement the recommendations included in our prior audit report, Report 95-S-82, entitled "SUNY College at Buffalo Selected Financial Management Practices." Our prior audit report, which was issued on October 15, 1996, examined selected financial management practices of the College.

Background

The SUNY College at Buffalo (College) offers programs in liberal arts, education and technical career fields. The College employs about 905 full time equivalent staff, including about 388 faculty. During the 1996-97 fiscal year, the personal service cost for the faculty totaled about \$18.1 million. During fiscal year 1997-98, the College collected about \$2.5 million of revenue at 27 cash collection sites.

Summary Conclusions

During our prior audit, we identified significant weaknesses in the internal controls relating to cash collection and faculty time and attendance practices. As a result of these weaknesses, faculty members may not have always charged leave accruals for their absences and improper cash transactions resulting in a misappropriation of College funds may have taken place at certain collection sites.

In our follow-up review, we found that the College has made some progress in correcting the internal control weaknesses relating to cash collection at certain sites. However, additional

improvements are still necessary to help ensure that leave accruals are properly charged for all faculty absences.

Summary of Status of Prior Audit Recommendations

Of the eight prior audit recommendations, we found that College officials implemented three recommendations, partially implemented three recommendations, and did not implement two recommendations.

Follow-up Observations

Recommendation 1

Require the chairpersons to maintain a record of faculty absences and to refer to this record when reviewing the attendance forms.

Status - Not Implemented

Agency Action - As they stated in response to our prior audit, College officials maintained that the contractual agreement between New York State and College faculty only requires faculty to self-report their presence or absence on a monthly basis. The officials believe that chairpersons' creation of separate attendance records for each faculty member exceeds the terms of the contractual agreement and, therefore, cannot be implemented.

Auditors' Comments - We acknowledge the contractual agreement covering College faculty. However, we point out that the agreement additionally requires that the forms be submitted to the College president, or his designee, for review on a monthly basis. At the College, department chairpersons have been designated by the College president to review attendance forms on a monthly basis. We continue to believe that this review can only be performed in a meaningful manner if the chairpersons maintain records of faculty absences for reference when reviewing the attendance records.

Recommendation 2

Investigate the 58 faculty absences that we found were not charged to leave accruals. Ensure that all actual absences are charged to leave accruals.

Status - Partially Implemented

Agency Action - College officials did investigate the 58 faculty absences that we found were not charged to leave accruals. However, the College did not take action to ensure that all actual absences were charged to leave accruals. College officials explained that, in some instances, faculty members had leave accrual balances at the end of the year that were above the maximum number of allowable days to carry forward to the next year. Therefore, failure to charge a day or two of leave in any given semester would not have impacted the leave accrual balance that the employee could carry. In other instances,

absences were not charged because the absence was for only part of a day. College officials further noted that some of the employees who did not properly charge sick leave to accruals were no longer employed by the College, thus, the College had no recourse against them.

Auditors' Comments - For those instances where it has been determined that leave accruals were not charged for actual absences, College officials should appropriately charge leave accruals. It is important that the College's attendance records reflect actual absences at any point in time, regardless of the net effect to total accruals at the end of the year. In addition, at the time of an absence it cannot always be determined that the employee will have excess leave accrual balances at the end of the year.

Recommendation 3

Require faculty to submit their attendance forms monthly.

Status - Partially Implemented

Agency Action - College officials have developed new procedures for the faculty Leave Accrual Record System, including a new form for faculty to use to account for all days spent off-campus, such as sick leave and professional obligations. Faculty are required to prepare and submit these forms to their department on a monthly basis. The forms are to be kept in each department's files and used to compile the semester report that goes to the Human Resources Office.

However, we sampled six departments and found that only one department had all the required monthly forms on file for the two-year period of Fall 1996 through Spring 1998. Two departments did not have any forms on file. The remaining three departments had some forms on file; one of these departments only had forms for two of the four semesters we reviewed, all of which were filled out at the end of the semesters rather than monthly, as required.

Auditors' Comments - To ensure proper accountability, College officials should fully implement our prior audit recommendation requiring that all forms be submitted monthly to department chairpersons.

Recommendation 4

Develop procedures for ensuring that faculty submit their attendance forms as required. Consider withholding paychecks from faculty who do not submit their attendance forms.

Status - Not Implemented

Agency Action - As mentioned above, new procedures developed for the faculty Leave Accrual Record System describe the role of faculty, department chairpersons, and the Human Resources Office in attendance record keeping. The procedures specifically state that

faculty are required to submit their attendance forms on a monthly basis, however there are no procedures or incentives that help ensure that faculty submit their attendance forms as required.

Auditors' Comments - We believe that procedures should be developed for ensuring that faculty submit their attendance forms monthly as required. Without the forms, College officials can not be assured that faculty leave accruals are accurately charged for all absences. We continue to believe that withholding paychecks from faculty who do not submit their attendance forms is an option to consider.

Recommendation 5

Develop guidelines specifying how leave accruals should be charged by faculty who are scheduled to be on campus for fewer than five days per week.

Status - Implemented

Agency Action - The new monthly form to record absences and the related instruction packet for academic year employees include guidelines specifying how leave accruals should be charged by faculty who are on campus for fewer than five days a week. For example, the guidelines state that if a full-time faculty member has a Monday, Wednesday, Friday teaching schedule and is absent all week due to illness, it would be necessary to subtract five days sick leave.

Recommendation 6

Ensure that written procedures for handling cash are provided to the staff at remote collection sites. Ensure that these procedures are understood by the staff, and monitor compliance with the procedures.

Status - Partially Implemented

Agency Action - College officials have written procedures for handling cash at the remote cash sites for the Athletic Department. We interviewed two Athletic Department staff and determined that they appear to understand the procedures for handling cash. Further, unit managers within the Athletic Department are monitoring for compliance with the procedures. For example, the concessions stand manager compares beginning and ending inventories with cash receipts after each athletic event to ensure that cash receipts accurately reflect the inventory sold. However, the written procedures were not on hand at all collection sites.

Auditors' Comments - College officials should ensure that written procedures for handling cash are on hand for staff to reference and use at each of the remote collection sites.

Recommendation 7

Ensure that the Athletic Director is not permitted to collect revenues or maintain accounting records.

Status - Implemented

Agency Action - During our prior audit, College officials removed all accounts from the Athletic Director's control. A new Athletic Director has since been hired, and College officials told us that he has no accounts under his control. We reviewed a sample of receipts transmitted from the Athletic Department to the Bursar's Office and confirmed that no revenues are collected by the Athletic Director and the accounting records are not maintained by this individual.

Recommendation 8

To SUNY System Administration:

Refer the matter of the Athletic Director's financial transactions to the State Attorney General's Office for further investigation. SUNY should also advise the State Attorney General to contact the State Comptroller's Office for further information about this matter.

Status - Implemented

Agency Action - SUNY System Administration referred this matter to the Attorney General on May 8, 1996. The Attorney General declined to investigate the matter further or to criminally prosecute those individual(s) involved.

Major contributors to this report were Karen Bogucki and Joanne Kavich.

We would appreciate your written response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the State University of New York College at Buffalo for the courtesies and cooperation extended to our staff during this review.

Yours truly,

Jerry Barber
Audit Director

cc: Robert L. King
Dr. Muriel Moore