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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 6, 2018

Mr. James B. Milliken
Chancellor
City University of New York
205 East 42nd Street
New York, NY 10017

Re: Borough of Manhattan Community
College: Controls Over Bank Accounts
Report 2017-F-25

Dear Chancellor Milliken:

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 followed up on the actions taken by officials of the Borough of Manhattan Community College (BMCC) of the City University of New York (CUNY) to implement the recommendations contained in our audit report, *Borough of Manhattan Community College: Controls Over Bank Accounts* (2015-S-93).

Background, Scope, and Objective

CUNY is the largest urban university in the United States, consisting of 24 constituent institutions. CUNY provides education for more than 270,000 degree-credit students and 273,000 continuing and professional education students. CUNY Central provides administrative support and business services to its institutions.

BMCC is one of seven community colleges within CUNY. Its mission is to offer quality education in a pluralistic urban environment, to foster excellence in teaching, to facilitate the enhancement of learning, and to sustain full access to higher education for those who seek fulfillment of personal, career, or socioeconomic goals. BMCC, located in lower Manhattan, had almost 27,000 students enrolled for the fall 2017 semester. BMCC maintains bank accounts for various purposes, such as tuition and fees. As of October 31, 2017, it maintained 23 active bank accounts with balances totaling \$29.9 million.

Our prior audit found two accounts that were on CUNY Central's list of accounts that were not on BMCC's list, and one account where CUNY Central did not have the required "Bank Account Notification Form" (which is required when opening a new account). In addition, BMCC did not transfer funds owed to New York City, as required. We also reviewed 78 payments (totaling

\$3,136,579) from six judgmentally selected bank accounts and found that 45 payments, totaling \$563,605, were either improper or unsupported.

We issued our initial audit report on August 10, 2016. The objective of our follow-up review was to assess the extent of implementation, as of January 24, 2018, of the three audit recommendations in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that BMCC officials made progress in addressing the issues identified in our initial report. All three recommendations were partially implemented.

Follow-Up Observations

Recommendation 1

Fully comply with prescribed procedures for opening new bank accounts and the monitoring of existing accounts. Develop and implement additional policies and procedures to administer bank accounts, as warranted.

Status - Partially Implemented

Agency Action - BMCC reported 23 active bank accounts as of October 31, 2017, while CUNY Central provided a listing of 17 accounts belonging to BMCC as of October 10, 2017. The six BMCC accounts that were missing from CUNY Central's list contained \$20.5 million. Two of those six accounts were opened in March 2016. CUNY officials advised us that these six accounts were not on CUNY Central's list because they were BMCC Foundation accounts. However, during the initial audit, BMCC's list of accounts included the BMCC Foundation. We also note that BMCC officials have a business relationship with the Foundation because they handle the budget and the accounts for the college and all related entities, including the BMCC Foundation. In addition, Foundation employees are on the college payroll and one of the BMCC officials is authorized to sign Foundation checks. As a result, CUNY Central should be aware of the Foundation accounts.

Recommendation 2

Ensure that funds that should be transmitted to the State and the City are sent to them timely.

Status - Partially Implemented

Agency Action - BMCC provided documentation of wire transfers to CUNY Central and the New York City Department of Finance (DOF) for reimbursement of funds used by the Manhattan Educational Opportunity Center (MEOC), which is a State University of New York program administered by BMCC. Such funds should be reimbursed at the end of the fiscal year. According to the documents, on June 12, 2017, BMCC transferred \$170,324 to DOF for the

period from July 1, 2015 to March 31, 2017 (a two-year period). As a result, the funds for the fiscal year ended June 30, 2016 were not transmitted timely (nearly one year later).

BMCC provided documentation dated January 28, 2017 showing that it did not owe the State any funds because SUNY reduced its payment to BMCC for 2016-17 to reflect the amounts due from the previous year. On February 20, 2018, we received documents dated February 14, 2018 for the 2016-17 program year.

Recommendation 3

Strengthen the control environment to ensure that funds are appropriately disbursed from bank accounts by:

- *Reinforcing with staff the importance of adhering to New York State, City, and CUNY requirements; and*
- *Training Finance and Administration employees on the appropriate policies and procedures related to bank accounts and banking operations.*

Status - Partially Implemented

Agency Action - BMCC provided us with the manual for a training session presented by a bank (which BMCC has accounts with) and a listing of staff who attended. We noted that three staff from Finance and Administration and one from MEOC attended. Although BMCC management stated that many training sessions were conducted for its staff at MEOC and BMCC, it was not able to provide any documentation.

We noted that cash disbursements were not always accompanied by relevant documentation to justify the purchases. For the Student Association, we reviewed 15 disbursements totaling \$206,924 for the period August 1, 2016 to October 31, 2017. Because of a lack of adequate documentation, we had to request additional documents to verify the payments. For example, eight of the vouchers were incomplete or did not indicate the purpose of the expenditure. For MEOC, we reviewed 17 payments totaling \$176,889 for the period August 1, 2016 to September 30, 2017. For one disbursement, the support was inadequate because the contract was awarded as "sole source" based on the vendor's assertion that the product could only be supplied by them. However, we noted that MEOC had the same services provided by a different vendor, dispelling the justification that it was "sole source." For another disbursement of \$18,400, we found that the contract was not competitively bid on, as required by CUNY procedures.

Major contributors to this report were Abe Fish, Christine Chu, and Joan Williams.

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

Very truly yours,

Carmen Maldonado
Audit Director

cc: G. Taylor, CUNY
Division of the Budget