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November 22, 1999

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

Re: Report 97-F-31

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 State University of New York (SUNY), College at Brockport officials as of October 21, 1999, to implement the recommendations contained in our audit report, *SUNY College at Brockport Selected Financial Management Practices* (Report 95-S-32). Our report, which was issued on June 4, 1996, examined the adequacy of internal controls instituted by SUNY College at Brockport over cash receipts and disbursements, as well as over equipment assets.

### **Background**

The State University of New York College at Brockport (SUNY Brockport) offers programs in arts, humanities, social sciences, sciences and professional studies at both the baccalaureate and master levels. During the year ended June 30, 1999, SUNY Brockport collected \$49.6 million in revenues and made disbursements totaling \$14.7 million. As of October 1, 1999, SUNY Brockport reported an equipment inventory of 4,628 items with an original cost of \$17.2 million.

### **Summary Conclusions**

In our prior audit, we identified weaknesses in cash controls in the SUNY Brockport Bursar's Office such as lack of separation of duties regarding collecting cash, updating student accounts and issuing refunds to students. We also identified weaknesses in cash controls at locations outside the Bursar's Office. Control weaknesses were also noted regarding equipment inventories.

In our follow-up review, we found SUNY officials have taken action to improve cash controls in the Bursar's Office and improve controls over equipment inventories.

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

Of the sixteen prior audit recommendations, SUNY Brockport officials have implemented nine recommendations, partially implemented five recommendations and have not implemented two recommendations.

### **Follow-up Observations**

#### **Recommendation 1**

*Assign capability to change charges only to those employees who need such capacity to perform their duties.*

Status - Implemented

Agency Action - SUNY Brockport officials have advised us that the three cashiers with charge adjustment capabilities cannot adjust major fees such as tuition and dormitory fees; instead, their capability is limited to minor fees such as late payment surcharges. In addition, officials told us that they have strengthened the independent review of account adjustments by generating an enhanced daily cash drawer report, which includes detail of all account adjustments by operator ID. The Bursar's Office Manager reviews the cash drawer report daily for unauthorized adjustments, initials it, and forwards it to the Accounting Office for additional review.

#### **Recommendation 2**

*Minimize the number of employees who handle cash and also have the capability to change charges; and concurrently strengthen the independent review of account adjustments.*

Status - Implemented

Agency Action - SUNY Brockport has taken steps to strengthen the independent review of account adjustments, thus creating a compensating control to offset the increased risk arising from allowing employees to handle cash and change charges on transaction records.

#### **Recommendation 3**

*Make a record of the cash that is received in the mail as soon as the mail is opened and before the funds are given to the cashiers for processing.*

Status - Partially Implemented

Agency Action - SUNY Brockport officials informed us that the Bursar's Office eliminated the processing of most, but not all, mail receipts by implementing a lockbox system with a local bank.

**Recommendation 4**

*Ensure that employees who make cash disbursements do not handle cash collections or have the capability to change student charges.*

Status - Partially Implemented

Agency Action - SUNY Brockport officials told us that there still are employees in the Bursar's Office who make cash disbursements, handle cash and have the capability to change student charges. However, the officials told us that the number of exchange check transactions, which were once numerous under one federal aid program, have virtually been eliminated since SUNY Brockport began participating in a different type of federal aid program. Thus, cashiers are handling far less disbursement transactions now than they did during our prior audit.

**Recommendation 5**

*Independently review checks against supporting documentation before distributing the checks.*

Status - Partially Implemented

Agency Action - SUNY Brockport officials advised us that they now participate in a positive pay services program provided by a local bank. The program provides additional controls over disbursements through comparison of checks presented for payment against SUNY Brockport's electronic files containing check issuance information. The bank sends checks with discrepancies or questionable information back to SUNY Brockport, for further review. Brockport reviews, among other things, the check initiation records and then either approves or denies payment of the check, based on the results of their review.

Auditors' Comments - The positive pay service would not, however, be able to detect improper payments when, for example, an improper payee name on the electronic file was also the payee name on the check.

**Recommendation 6**

*Ensure that press-numbered receipts are issued whenever cash is collected.*

Status - Partially Implemented

Agency Action - SUNY Brockport officials told us that the five cash collection locations reviewed in the audit took prompt action to resolve control weaknesses identified in the audit report. The officials also stated that since the close of this audit, the College has, where it was reasonable to do so, centralized collections at the Bursar's Office including collections for student telephone payments and parking permits and fines. They noted that the College continues to explore possibilities to enhance automation of collection and receipt issuance at other smaller peripheral collection locations, where non-press numbered receipts continue to be issued.

**Recommendation 7**

*Ensure that all cash deposits are reconciled to the records of cash received by someone independent of the cash collection process.*

Status - Partially Implemented

Agency Action - SUNY Brockport officials advised us that three peripheral cash collection locations have implemented our recommendations regarding control procedures. They note that the College plans to continue its efforts to evaluate and enhance cash controls for other cash collection locations.

**Recommendation 8**

*Deposit the examination fees into an authorized State account.*

Status - Implemented

Agency Action - According to SUNY Brockport records, the foreign language examination fees were deposited into an income fund reimbursable (IFR) account. SUNY Brockport officials told us that they stopped collecting fees for this examination because the exam process was absorbed into the National Teacher Exam. The IFR account was closed in June 1998.

**Recommendation 9**

*Assure that examination fees are properly deposited and accounted for.*

Status - Implemented

Agency Action - See Agency Action for Recommendation 8.

**Recommendation 10**

*Ensure that all cash collection locations have been identified.*

Status - Implemented

Agency Action - According to College officials, the College has developed an on-going process to identify peripheral cash collection locations. The process, performed by the Bursar's Office, includes reviewing all non-student account payment and deposit activity processed through the College's bank account. In addition, departments are contacted to verify the actual collection activity performed in each department and petty cash fund authorizations are also reviewed.

**Recommendation 11**

*Improve the accuracy of the inventory records. To help bring about this improvement, increase the extent to which the annual inventories are either conducted or verified by independent personnel.*

Status - Implemented

Agency Action - SUNY Brockport officials told us that, due to limited staffing, they conduct a physical inventory of all equipment over a two-year period. The inventory is now conducted by one Property Control Office staff person (with the assistance of a student), instead of the Department heads who were responsible for this function during our audit. SUNY Brockport officials believe that these procedures will help ensure a more accurate inventory, as Department heads did not complete inventories in a timely manner under the previous procedures.

**Recommendation 12**

*Develop an equipment procedures manual and train equipment managers in equipment controls.*

Status - Implemented

Agency Action - SUNY Brockport officials have developed a Property Control Guide for user departments that is available on the campus's Web page. The guide provides general information on the property control system, procedures for receipt and tagging of State property, departmental responsibilities regarding property control and instructions regarding the transfer of equipment and reporting on lost or stolen equipment. In addition, officials have also developed a brochure on Property Control Management Procedures. SUNY Brockport officials also told us that they provide training to Department heads and

staff on an informal basis via E-mail communications and meetings with staff when conducting the physical inventory.

**Recommendation 13**

*Require explanations for missing equipment.*

Status - Implemented

Agency Action - SUNY Brockport has instituted a process whereby, when unaccounted for equipment is identified during a physical inventory, the Property Control Office sends a memo to the appropriate Department head requesting that the Department provide the Office with an explanation for each piece of missing equipment.

**Recommendation 14**

*Investigate the equipment missing from the three departments.*

Status - Not Implemented

Agency Action - SUNY Brockport officials told us that they initiated an investigation of the missing items after our audit was issued. However, the person responsible for the follow up investigation no longer works at the College and did not leave records indicating the investigation results. SUNY Brockport's Vice President for Administrative Services told us that he plans to ask the three departments identified during our audit to advise him of the investigation results.

**Recommendation 15**

*Take steps to ensure that departments comply with annual inventory requirements.*

Status - Not Implemented

Agency Action - SUNY Brockport officials indicated that they conduct campus-wide physical inventories every two years due to limited staffing.

**Recommendation 16**

*Report all unaccounted for equipment to the Office of the State Comptroller.*

Status - Implemented

Agency Action - We reviewed reports to OSC dated June 30, 1996 and October 31, 1997. Both reports listed unaccounted for items.

Major contributors to this report were William Nealon, Karen Bogucki, Marcia Petersen, Michael Wrobel and Tom Kulzer.

We would appreciate your 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 SUNY Brockport management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Jerry Barber  
Audit Director

cc: Charles Conaway  
Paul Yu