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September 19, 2001

Mr. Robert L. King  
Chancellor  
State University of New York  
State University Plaza  
Albany, NY 12246

Re: Report 2001-F-27

Dr. Mr. King:

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 of Agriculture and Technology at Morrisville as of July 27, 2001, to implement the recommendations contained in our audit report: *Selected Financial Management Practices* (Report 99-S-30). Our report, that was issued on May 11, 2000, reviewed the effectiveness of College controls over revenues and equipment assets for the period July 1, 1998 through November 30, 1999.

**Background**

The SUNY College of Agriculture and Technology at Morrisville (College) is one of the 13 colleges of Arts and Science in the SUNY System. The College offers about 70 degree programs that include two-year associate degree programs, one-year certificate programs and a Bachelor of Technology degree program in Equine Science.

For the 12-month period ended June 30, 2001, the College collected over \$21.7 million from tuition, fees, room rent, meal plans and other sources. The College's Bursar's Office deposited about \$14.6 million into a local depository bank and distributed about \$9.1 million for refunds exchange checks and remittance of agency collections to other organizations. The remaining collections, primarily student financial aid, were deposited directly into an account maintained by SUNY System Administration. The College expended \$27.5 million including \$17.5 million for personal service and \$600,000 for equipment.

The College uses an integrated database computer system called Banner 2000 for student registration and revenue accounting. In addition, the College uses SUNY's Property Control System (PCS) to account for computer equipment items costing over \$500 and all other equipment items costing over \$1,500.

## **Summary Conclusions**

In our audit, we found that College management needed to take steps to maintain an effective system of internal control over equipment and revenue. We found that the Bursar's Office had not provided an appropriate separation of duties to ensure effective control over revenue. In addition, the Bursar's Office did not have adequate controls and follow-up for uncashed checks. Also, College management had neither identified all peripheral revenue collection locations nor provided guidance and oversight for the recording and collection of significant amounts of revenue. Further, College managers had provided little guidance and oversight for equipment control and had not conducted an effective physical inventory of equipment.

In our follow-up review, we found that the College had made progress in improving controls in both the revenue and equipment processes.

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

We determined that College management had implemented nine recommendations and had partially implemented four recommendations.

## **Follow-Up Observations**

### **Recommendation 1**

*Perform a formal risk assessment to determine revenue controls, including separation of duties, for the Bursar's Office. As part of the assessment consider the organizational realignment possibilities and compensating control options identified in this report.*

Status - Implemented

Agency Action - The College had completed the SUNY standard internal control review questionnaire to assess Bursar Office operations. Officials concluded that, although there are some inherent risks in cash processing in the Bursar's Office, a complete separation could not be accomplished because of the lack of staffing. Officials stated that daily review of transactions by the Bursar of the cashier's activities would provide an adequate compensating control. Officials further stated that the College's Vice-President for Finance and Administration will independently review the work of the Bursar's daily cashiering activity.

### **Recommendation 2**

*Establish control procedures that provide for the write off of uncashed checks after three years and the review and appropriate follow up on disbursement checks that remain uncashed for more than 90 days.*

Status - Partially Implemented

Agency Action - The Bursar's Office has developed an unwritten procedure requiring that checks over three years old be written off. However, a procedure to follow-up on checks that remain uncashed for more than 90 days has not been developed.

**Recommendation 3**

*Take appropriate action to investigate and resolve the old, uncashed disbursement checks identified in this report.*

Status - Implemented

Agency Action - The College investigated and resolved the uncashed disbursement checks that were identified in our report.

**Recommendation 4**

*Identify and maintain an accurate listing of all peripheral cash collection sites.*

Status - Implemented

Agency Action - The Bursar's Office has created a listing of all peripheral cash collection sites.

**Recommendation 5**

*Using a risk assessment methodology, formally identify peripheral site revenue control procedures, responsibilities and expectations. Communicate these to all employees with a role in the system of control.*

Status - Partially Implemented

Agency Action - The Bursar's Office has developed written procedures for the collection of revenue at peripheral locations. However, a risk assessment methodology was not used in their development and the procedures have not been communicated to all employees having a role in the system of controls.

**Recommendation 6**

*Establish revenue control monitoring procedures for the peripheral collection locations.*

Status - Partially Implemented

Agency Action - The Bursar's Office has developed written procedures that will serve as a basis for monitoring activity at the peripheral cash collection locations. However, the procedures have not been disseminated to these locations and monitoring by College officials has not commenced.

### **Recommendation 7**

*Ensure that fees for breaking and training services, as well as any other fees generated as a result of College sponsored activities, are remitted to the College, and recover any such revenue that was remitted to the College Foundation or other organizations.*

Status - Implemented

Agency Action - The College has an Income Fund Reimbursable account for fees received for breaking and training services. Revenue for these services are being deposited into this account. In addition, the College has recovered revenues remitted to the College Foundation and other organizations.

### **Recommendation 8**

*Develop written equipment control procedures, responsibilities and expectations and formally communicate these to all employees with a role in the system of controls.*

Status - Partially Implemented

Agency Action - The College has developed some procedures that are distributed to local custodians each year prior to the annual inventory. These procedures address additions, disposals and transfers. Also, there are procedures that address what should be done by the purchasing unit, Property Control Manager and receiving department when a new piece of equipment is received. A full set of written procedures is still needed.

### **Recommendation 9**

*Provide the Property Control Manager and Department Fund Manager and any other staff who are responsible for equipment with appropriate training in equipment control procedures and practices.*

Status - Implemented

Agency Action - College officials informed us that neither the Property Control Manager nor the Department Fund Manager have received formal training in equipment control procedures and practices. However, College management said that the on the job training received by all staff in the equipment process provided adequate training. Our interviews provided some support that staff understood their responsibility and duties in the equipment cycle.

### **Recommendation 10**

*Continue with and establish a time frame for completing the physical inventory.*

Status - Implemented

Agency Action - The College completed the annual inventory in progress during our last audit.

**Recommendation 11**

*Implement procedures to take an annual physical inventory of equipment assets and use this opportunity to monitor and evaluate whether the system of equipment controls is operating effectively.*

Status - Implemented

Agency Action - The College's process is to take a complete annual physical equipment inventory. They have taken a complete inventory in both 1999 and 2000.

**Recommendation 12**

*Perform necessary follow-up for the 27 items of equipment that PCS shows as missing as well as for any items found missing as a result of the physical inventory.*

Status - Implemented

Agency Action - The Property Control Manager has followed up on the 27 items that were identified in our last audit.

**Recommendation 13**

*Periodically monitor the activities of the Property Manger to ensure that PCS is being updated in a timely manner to reflect all transactions affecting equipment.*

Status - Implemented

Agency Action - The College's Vice-President for Finance and Administration periodically determines whether newly purchased equipment has been tagged and entered on the PCS. The Vice-President for Finance and Administration reviews deletions using the monthly transaction report that indicates all transactions that have occurred on PCS over the one-month period. The emphasis of his review is on unusual occurrences. In regards to deletions, the Vice-President for Finance and Administration reviews the monthly transactions reports and reviews documentation to support any deletions he deems questionable. For example, he would question the deletion of a piece of equipment that appears to be deleted prematurely based on its estimated useful life.

Major contributors to this report were Arthur F. Smith, Melissa Little and David Pleeter.

We thank the management and staff of the SUNY College at Morrisville for the courtesies and cooperation extended to our auditors during this review.

Very truly yours

Jerry Barber  
Audit Director

cc: Raymond W. Cross President, College at Morrisville  
John Murphy, University Auditor  
Deirdre A. Taylor. DOB