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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

August 8, 2005

Mr. John R. Ryan  
Acting Chancellor  
State University of New York  
State University Plaza  
Albany, NY 12246

Re: Report 2005-F-7

Dear Mr. 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 followed up on the actions taken by officials of the State University of New York (SUNY) to implement the recommendations contained in our audit report, SUNY Administration Selected Financial Management Practices (Report 2003-S-2).

**Background, Scope and Objective**

The State University of New York (SUNY), the largest public university system in the nation, offers a complete range of academic, professional and vocational programs. The system includes four university centers, 13 arts and sciences colleges, eight technical colleges, two specialized colleges, five statutory colleges, and two health science centers. SUNY enrolls over 197,000 full-time and part-time students and employs over 35,000 full-time equivalent faculty.

SUNY System Administration (SUNY Administration) oversees SUNY operations. SUNY Administration employs over 600 staff and is located at the SUNY Plaza in downtown Albany. SUNY Administration's Office of Finance and Business (Office) is responsible for SUNY's financial affairs, and manages various functions, including Internal Controls, Human Resources, Business Services and the University Endowment Fund.

Our initial audit report, which was issued on December 30, 2003, examined selected SUNY Administration financial management practices related to controls over inventory, as well as controls over personnel practices, travel and business expenses and certain administrative expenditure accounts for the period July 1, 2001 through January 31, 2003. The objective of our financial-related audit was to determine if controls and procedures at SUNY Administration are adequate to ensure that State funds are used properly and in compliance with appropriate laws, rules and regulations. Our report identified a need to correct weaknesses in controls over equipment inventories to protect State assets from waste, theft or unauthorized use. In addition, management should improve its

conformance to OSC Standards and guidelines, as well as SUNY Administration guidelines, to justify and document hiring and promotion decisions, to support the legitimacy of travel and business expenses, and to verify the propriety of payments from expenditure accounts. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of June 16, 2005 of the eight recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that SUNY officials have made significant progress in implementing the recommendations. Of the eight initial audit recommendations, five recommendations have been implemented, two recommendations have been partially implemented, and one recommendation is no longer applicable.

### **Follow-up Observations**

#### **Recommendation 1**

*To safeguard equipment assets and provide accountability for their use, establish a comprehensive system of internal control over these inventories by conforming to OSC Standards and guidelines, including taking the following specific actions:*

- *continue to formalize inventory control procedures, including the identification of property control officers;*
- *perform annual inventories and follow up on identified discrepancies in a timely manner;*
- *adjust the PCS for discrepancies noted in the recent equipment inventory and for discrepancies found in vehicle inventories; document the resolution for each item; and*
- *update the PCS for all transactions involving additions to or changes in equipment inventories.*

Status - Implemented

Agency Action - SUNY officials have formalized their equipment inventory control procedures and identified property control officers. Equipment inventories are conducted on an annual basis using a rolling schedule by unit.

Officials updated the Property Control System (PCS) records for 462 of the 482 items, which were not properly recorded at the time of our initial review. Officials continue to investigate the location and status of the 20 remaining items, which included 14 laptop computers. Concerning vehicle inventories, eight of the nine vehicles which were not initially recorded on PCS have been added to it. The ninth vehicle was surplus.

#### **Recommendation 2**

*Document and maintain criteria and interview questions in the search files of professional staff for a period of three years.*

Status - No longer applicable

Agency Action - In August 2003, officials revised SUNY's hiring procedures. The previous required criteria sheets are now optional and their usage and maintenance is left up to the discretion of the manager doing the hiring. Also, maintaining copies of interview questions is no longer required by the revised procedures.

### **Recommendation 3**

*Implement an annual performance assessment program for professional staff, as required by SUNY's Board of Trustees, and use the assessments to support promotional decisions and pay increases.*

Status - Implemented

Agency Action - In 2002, SUNY officials implemented an annual performance assessment for all unclassified service Management Confidential employees covering the period from July 1 through June 30 each year. Our review showed that promotions and pay increases were based on these assessments.

### **Recommendation 4**

*Revise SUNY Administration's Travel Guidelines to meet at least the minimum requirements stated in the OSC Manual, with particular attention to the following issues:*

- *require prior approval and justification for lodging expense that exceeds the maximum rate;*
- *notify employees who do not follow the Guidelines that compliance will be required for reimbursement of future lodging or meal expenses; and*
- *require travelers to document their normal work hours on vouchers for meal allowances.*

Status - Partially Implemented

Agency Action - SUNY Officials have implemented the first two parts of this recommendation. In October 2003, officials issued guidelines to SUNY staff requiring prior approval from the Office of Business Affairs before incurring food or lodging expenses that exceeded State maximum rates. The guidelines further stated that without such prior approval, staff would be responsible for the additional cost.

However, the requirement that travelers document their normal work hours on vouchers was not implemented. Officials stated that the practice of granting breakfast reimbursement for anyone leaving before 7 a.m. and dinner reimbursement for anyone returning after 7 p.m. has not changed and will not be changed in the future. Officials believe that the fixed times for allowing breakfast and dinner are more manageable and verifiable.

#### **Recommendation 5**

*Formalize and document SUNY Administration's guidelines on meeting expenses and conform them to OSC Disbursement Guidelines.*

Status - Implemented

Agency Action - In October 2003, Officials formalized the elements required for reimbursement of meal expenses incurred during a business meeting in SUNY Administration's Travel Guidelines through the Office of Business Affairs Communique number 03-04. The guidelines now conform with Office of the State Comptroller Disbursement Guidelines.

#### **Recommendation 6**

*Distribute SUNY Administration's revised Travel Guidelines and revised guidelines on meeting expenses to all SUNY Administration employees.*

Status - Implemented

Agency Action - The revised SUNY Administration Travel Guidelines, updated through the Office of Business Affairs Communique number 03-04, were distributed to staff on October 16, 2003.

#### **Recommendation 7**

*Review travel card statements thoroughly to ensure all lodging and meal expense reimbursement requirements have been met.*

Status - Partially Implemented

Agency Action - We observed that generally officials reviewed supporting documentation for lodging and meal expenses prior to payment. However, we noted instances where pre-approvals for rooms and meals over the State maximum allowance were not obtained consistently. For example, while certain expenses may not be readily anticipated by the traveler, we did observe hotel room charges over the State maximums that were reserved nearly a month prior to the stay. Such expenditures should be pre-approved.

**Recommendation 8**

*Review payments from expenditure accounts to make sure they are authorized, and to verify that payees do not authorize their own payments.*

Status - Implemented

Agency Action - The Business Affairs Office maintains authorization lists, which are updated monthly and are used by the accounts payable clerk to review the vouchers for payment. We did not observe any instances where payees authorized their own voucher payments.

Major contributors to this report were Brian Mason, William Clynes and Donald Collins.

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

Very truly yours,

Steven E. Sossei  
Audit Director

cc: Robert Barnes, Division of the Budget  
C. Kevin O'Donoghue, University Auditor