

THOMAS P. DiNAPOLI
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 20, 2007

Dr. Matthew Goldstein
Chancellor
The City University of New York
535 East 80th Street
New York, New York 10021

President Christoph Kimmich
Brooklyn College
City University of New York
2900 Bedford Avenue
Brooklyn, New York 11201

Re: Brooklyn College Payroll Practices
Report 2005-S-2

Dear Chancellor Goldstein and President Kimmich:

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 audited selected payroll practices at Brooklyn College. Our audit covered the period April 1, 2005 to March 31, 2006.

A. Background

Brooklyn College (College) is a member unit of the City University of New York (CUNY), the nation's leading public urban university system. The CUNY system has eleven senior colleges, six community colleges, a graduate school, a law school, and a medical school. CUNY serves more than 450,000 degree-credit students and adult continuing and professional education students. The College has an enrollment of about 15,000 students.

Payroll represents a major expense of the College's operations. The College has about 500 full-time professors as well as part-time staff and administrators. During the State's 2005-06 fiscal year, the College processed over 1,100 transactions to add individuals to the payroll and more than 700 transactions to remove others. The College's total payroll expenditures for that year were approximately \$83.6 million, including more than \$1 million in overtime expenditures. The College uses the PayServ system, operated by the Office of the State Comptroller, to process its payroll.

B. Audit Scope, Objective and Methodology

We audited selected controls over payroll at the College. Our audit included testing of the controls over the addition and removal of employees to the payroll and the processing of overtime transactions. In addition, we reviewed the controls over undelivered payroll checks. The objective of this audit was to provide assurance regarding the accuracy of payroll processing for these transactions. We audited payroll controls for the period April 1, 2005 through March 31, 2006. We conducted our audit in accordance with generally accepted government auditing standards.

To accomplish our objective, we interviewed college officials, reviewed documentation supporting payroll transactions, and inventoried and investigated all undelivered checks at the College. Using random sampling techniques, we sampled 50 of the 537 additions to the payroll. We also randomly sampled 50 of the 705 deletions from the payroll. We further judgmentally sampled 50 payments to the two employees who had earned the largest amounts in overtime during the audit period.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refund, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for the purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

We found that, for the areas tested, the internal controls over payroll processing at the College were adequate and functioning. However, in order to further enhance controls, we believe that the College should make certain improvements to its payroll operations. Specifically, it should remove individuals from the payroll in a timely manner.

Payroll Additions and Deletions

The Office of the State Comptroller's Bureau of State Payroll Services (Payroll Services) administers the State's payroll. Payroll Services recommends that individuals be removed from the PayServ system if they have not received a paycheck in three payroll cycles. If they are rehired, their names are to be added back to the State's payroll system at that time. Individuals are placed on and removed from the State's payroll system at the agency level. However, the documentation to support the transaction is kept at the agency level. As part of our audit, we reviewed the documentation supporting the addition of 50 employees to the College's payroll and the removal of 50 others. Our review of the 50 sampled additions to the payroll found that supporting documentation was on file to substantiate such action and that the addition of individuals was timely.

However, our review of the 50 randomly selected removal transactions found that individuals were not always removed from the PayServ system in a timely manner by the College. For example, 9 of the 50 removals had not been made within the recommended period. Instead, the length of time for removal ranged from 56 days to 1,261 days. The names of 6 of these 9 individuals - all of whom were adjunct instructors, continuing education professors, or part-time lecturers - remained on PayServ for more than 800 days. College officials informed us that it is CUNY's practice to keep such employees on the PayServ system so that they will not have to be re-established if the College re-employs them in the future.

The practice of leaving inactive employees on the payroll system poses an unnecessary risk to the College, since payroll time records and any subsequent payroll checks could be adjusted or diverted for an inactive employee still remaining on the payroll.

Recommendation

Remove all individuals from the PayServ system within three payroll cycles after their last paycheck.

(College officials agree with this recommendation and stated they will examine and develop remedial actions to address this audit concern.)

We provided Brooklyn College officials with draft copies of the matters included in this report for their review and formal comment. We considered their comments in preparing this report and have included them as Appendix A.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the City University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons why.

Major contributors to this report were Thomas Trypuc, Arthur F. Smith, Marc Geller, Irina Kovaneva and Bebe Belkin.

We wish to thank the management and staff of the College and CUNY Central Administration for the courtesies and cooperation extended to our auditors during the audit.

Very truly yours,

Kenrick Sifontes
Audit Manager

cc: Gordon Taylor, Director of Internal Audit, City University of New York
David Rankert, Assistant Director, City University of New York
Lisa Ng, Division of the Budget
Jules Levin, Director of Internal Audit, Brooklyn College
Steve Little, VP Finance and Administration, Brooklyn College
Alan Gilbert, AVP Finance, Budget, Planning, Brooklyn College



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February 13, 2007

Mr. Kenrick Sifontes
Audit Manager
Office of the State Comptroller
Division of the State Services
State Audit Bureau
123 William Street – 21st Floor
New York, NY 10038

Dear Mr. Sifontes:

I write in response to your request for comments regarding the results of your audit of selected payroll practices at Brooklyn College (Report 2005-S-2). We appreciate the exemplary work of your auditors and commend their diligence and commitment to detail in assessing the system of internal controls over the College's payroll function.

We are pleased that the results of your audit reflect an effective control system over the payroll process. Nevertheless, we strive constantly to improve and accordingly, the College will use the opportunity raised by the one finding regarding timely removal of teaching adjuncts to examine and develop remedial actions to address this audit concern. The University will assist the College in complying with the intent of the recommendation.

If you have any questions regarding the attached response, please call me at (646) 746-4293.

Sincerely,

A handwritten signature in black ink, appearing to read "Gordon Taylor", is written over a light-colored background.

Gordon Taylor
Director

c: President Christoph M. Kimmich
Executive Vice Chancellor Allan H. Dobrin
Vice Chancellor Ernesto Malave
Vice Chancellor Brenda Richardson Malone
Vice President Steve Little
Mr. Alan Gilbert
Mr. Jules Levin

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