

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 22, 1996

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

Re: Report 96-F-9

Dear Dr. Ryan:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by officials of the State University of New York (SUNY) as of June 30, 1996, to implement the recommendations included in our prior audit report 94-S-27. Our prior report, issued August 10, 1994, examined SUNY's internal controls over cash collections at 33 selected peripheral locations on seven SUNY campuses as follows: Albany, Alfred, Binghamton, Brockport, Farmingdale, Oswego, and Plattsburgh.

Background

SUNY includes 29 State-operated campuses and is one of the largest higher education systems in the nation. A 16-member Board of Trustees sets SUNY policy, while a Central Administration Unit provides direction and leadership for the SUNY system. Each campus is responsible for implementing an internal control system to protect campus assets.

In our prior audit we reported that SUNY campuses collected revenues in excess of \$1 billion in the fiscal year ended March 31, 1993. Most of this revenue was for student tuition and room and board charges, and was collected at campus central sites, such as the Bursar's Office or the Student Account Office. However, a total of about \$89 million was collected at campus peripheral locations. These collections generally covered charges for items such as telecommunications, library fees, parking permits and campus event ticket sales.

Summary Conclusion

Our prior audit found that none of the 33 peripheral locations we visited established all the basic controls necessary for safeguarding cash collections. In our follow-up review, we found that SUNY has made significant progress in implementing the recommendations contained in our prior audit report.

Summary of Status of Prior Audit Recommendations

Of the nine prior audit recommendations (eight of which are encompassed in recommendation #1), the University has fully implemented 7 recommendations and partially implemented 2 recommendations.

Follow-up Observations

Recommendation 1

Ensure that the campuses correct the weaknesses detailed in this report and summarized in Exhibit A of this report.

The following is a summary of the current status and agency action for each of the cash control recommendations resulting from the weaknesses summarized in Exhibit A.

(1) Consistent with the State Comptroller's User Procedures Manual, campus management should provide staff at each peripheral cash collection location with written procedures that describe the major steps necessary in the cash control process.

Status - Fully Implemented

Agency Action - On August 14, 1994, SUNY System Administration officials issued to all campuses Internal Control Bulletin Number IC94-1 - Cash Collection. This bulletin reiterates the necessary controls identified in the prior audit report. We also found that most campuses had written procedures for cash control for each peripheral location.

(2) Use sequentially, press-numbered receipt forms to establish accountability for each cash collection transaction.

Status - Fully Implemented

Agency Action - The campuses informed us that they utilize sequentially numbered receipt forms or have a computer system that automatically numbers the receipts.

(3) Segregate the duties of handling cash from the duties of maintaining cash accounting records. This segregation helps to ensure that no one person exercises so much control over cash transactions that cash is at risk.

Status - Partially Implemented at four of the seven campuses (Albany, Binghamton, Farmingdale, and Plattsburgh) and Fully Implemented by the remaining three campuses

Agency Action - SUNY campus officials stated that the cost/benefit factor, as well as lack of staff members precipitated by current budget constraints, makes the separation of duties not practical in many locations at Albany, Binghamton, Farmingdale, and Plattsburgh. Alfred, Brockport, and Oswego now have an independent party from another office (i.e., Bursar's Office) maintain the accounting records.

Auditors' Comments - We believe that it is essential to segregate the duties of handling cash from the duties of maintaining cash accounting records at all locations.

(4) Assign the custody of financial stationery and the control of inventory records to employees who are independent of the cashiering function.

Status - Fully Implemented

Agency Action - Campus officials have assigned the custody of financial stationery and the control of inventory records to employees who are independent of the cashiering function.

(5) Perform an independent reconciliation of cash receipts to cash deposits and accounting records.

Status - Partially Implemented by Albany, Binghamton, Farmingdale and Plattsburgh and Fully Implemented by Alfred, Brockport, and Oswego

Agency Action - SUNY campus officials state that the cost/benefit factor, as well as lack of staff members precipitated by current budget constraints, makes independent reviews not practical in many locations at Albany, Binghamton, Farmingdale, and Plattsburgh. Alfred, Brockport, and Oswego now have an independent party from another office (i.e., Bursar's Office) maintain the accounting records and perform the reconciliation.

Auditors' Comments - An independent reconciliation of cash receipts to cash deposits and accounting records is a basic internal control that should be performed for all cash accounts.

(6) Require that checks are restrictively endorsed when received to prevent their negotiation to inappropriate parties.

Status - Fully Implemented

Agency Action - All campuses now restrictively endorse all checks when received.

(7) Require that, at prescribed intervals - daily if feasible, but no less than once each week - moneys received at cash collection locations be turned over for deposit. The timely deposit of funds reduces the likelihood of loss or theft of the funds.

Status - Fully Implemented

Agency Action - The campuses deposit monies no less than once each week.

(8) Prominently display a sign advising individuals making payments to request a receipt. There is less likelihood of misappropriation of remittances when customers ask cashiers for receipts.

Status - Fully Implemented

Agency Action - All campuses have informed us that they have displayed a sign advising individuals making payments to request a receipt at all locations that collect monies.

Recommendation 2

Consider an evaluation of overall peripheral location cash collection risk exposure and the development and issuance of necessary directives for campuses to follow to correct cash control weaknesses.

Status - Fully implemented

Agency Action - SUNY System Administration has recently evaluated risk exposure through internal control audits at Oswego and Plattsburgh and plans to do the same at the rest of the campuses over the next three years. On August 4, 1994, SUNY System Administration officials issued to all campuses Internal Control Bulletin Number IC94-1 - Cash Collection. This bulletin reiterates the necessary controls identified in the prior audit report.

Major contributors to this report were Jerry Barber, Marty Chauvin, Todd Seeberger, and Melissa Little.

We would appreciate your written response to this report within 30 days, indicating any additional action you have planned or have taken to address the unresolved matters discussed in this report.

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

Very truly yours,

Robert H. Attmore
Deputy Comptroller

cc: Patricia A. Woodworth