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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

October 29, 1997

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

Re: Report 96-F-46

Dear Dr. Ryan:

Pursuant to the State Comptroller's authority as set forth in the 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 College at Old Westbury as of February 28, 1997 to implement the recommendations contained in our prior report 95-S-52. Our prior report, issued March 28, 1996, examined selected financial management practices.

**Background**

The State University of New York's (SUNY) College at Old Westbury (OW) is located on a 605-acre campus in Old Westbury, Nassau County. For the Fall 1996 semester, approximately 3,800 students were enrolled, 74 percent of which were full-time. Our prior audit addressed selected financial management practices for the period April 1, 1993 through February 28, 1995.

**Summary Conclusion**

Our prior audit contained recommendations for improving the internal control structure over cash receipts and disbursements, payroll check distribution, accounts receivable, equipment inventories and computer security. We found that progress has been made in implementing many of the prior report recommendations.

**Summary of Status of Prior Recommendations**

Of the 17 prior report recommendations, OW has fully implemented 11, partially implemented 1 and not implemented 5 recommendations.

**Follow-up Observations**

**CASH AND PAYROLL CHECK CONTROLS**

**Recommendation 1**

*Ensure that all checks are endorsed restrictively as soon as practical after receipt.*

Status - Fully Implemented

OW Action - OW officials have implemented this recommendation by ensuring that all checks are endorsed restrictively as soon as practical after receipt. Our review of the checks contained in the safe in the Bursar's office at the time of our follow-up revealed that they were all restrictively endorsed. We also reviewed the checks located in the cashier's drawer in the Bursar's office and observed all of them to be restrictively endorsed as well.

**Recommendation 2**

*Ensure that all receipts are deposited at least weekly.*

Status - Fully Implemented

OW Action - According to courier service deposit receipts which we reviewed, OW is now depositing receipts twice weekly.

**Recommendation 3**

*Implement proper internal control procedures for cash receipts at the Clark Recreational Center, including the issuance of sequentially-numbered receipt forms and the periodic accounting for these receipt forms.*

Status - Fully Implemented

OW Action - Proper internal control procedures are now in place for cash receipts at the Clark Recreational Center, including the issuance of sequentially-numbered receipt forms and the periodic accounting for these receipt forms. We verified that the press-numbered receipts were issued in sequential number order for the period May 1996 through February 1997. We determined that these forms are accounted for by retaining copies of the Cash Receipts Deposit Sheets which have the receipt numbers recorded on them. We also verified that records for paid memberships for this same period were retained.

#### **Recommendation 4**

*Ensure that all receipts collected at the Clark Recreational Center are forwarded on a timely basis to the Bursar.*

Status - Not Implemented

OW Action - We determined that the receipts at the Clark Center are still not being forwarded to the Bursar timely. Of the 16 receipts recorded from May 1996 to February 1997, the processing was significantly delayed 4 times. Some funds received in May 1996 were not forwarded to the Bursar for four months. OW officials stated that while they agree that it is important to submit the receipts timely, the total amount processed from May 1996 to February 1997 was only \$310. They agreed that they would attempt to submit receipts at least once per month.

Auditor Comments - While OW officials have instructed staff as to the importance of proper procedures being followed, deposits are still not timely. Subsequent to the end of our field work completion, OW officials stated that this recommendation has been implemented and receipts will now be deposited timely.

#### **Recommendation 5**

*Separate the duties of contracting for campus rental services from those of rent collecting; preclude the Bursar employee who receives and records checks by mail from performing cashiering duties; and ensure that payroll office employees do not have access to paychecks.*

Status - Fully Implemented

OW Action - The Bursar now collects the rent for campus rental services, and the Director of Accounting administers the contracting. The Bursar employee who receives and records checks by mail and occasionally cashiers, has been given written instructions by the Bursar not to include those checks received by mail in the cashiering drawer. In addition, Payroll Department staff do not have access to paychecks. We also noted a written request to the New York State Department of Taxation and Finance to have payroll checks sent to a location other than the payroll office.

#### **Recommendation 6**

*Require that all checks prepared in support of the maintenance of student accounts are reviewed on a timely basis to determine the need to issue the checks.*

Status - Fully Implemented

OW Action - Under current procedures, the need to issue a check in support of students accounts are reviewed and addressed before a check is written. Each week the Bursar receives an Unapplied Payment Report, which contains negative balances resulting from overpayments to the students'

account. The Bursar investigates the reason for the overpayment. Once this is determined, the Bursar enters a code on the Student Accounts System, and a check is drawn and issued to the student. We verified this procedure, by tracing a sample of transactions from a recent Accounts Receivable Report to the Student Accounts System.

**Recommendation 7**

*Review documentation for checks that have been outstanding for 90 days or more, and take appropriate action.*

Status - Not Implemented

OW Action - OW officials disagreed with the recommendation and no action toward implementation has been taken. While monthly reconciliations of the checking account are completed, the reasons that checks have been outstanding for more than 90 days are not determined or investigated. OW officials stated that they cannot assess the benefit of attempting to determine why checks remain uncashed and therefore choose not to perform this task.

Auditor Comments - Checks should not remain outstanding for long periods of time as it detracts from effective cash management and may reflect inaccuracies in the accounting records. OW should take immediate action to identify the reasons why the checks are outstanding and rectify the situation.

**ACCOUNTS RECEIVABLE**

**Recommendation 8**

*Ensure that student accounts receivable are pursued diligently, including making referral of past due accounts to the Attorney General a priority.*

Status - Fully Implemented

OW Action - OW officials have pursued their own collection efforts, and for those accounts that cannot be collected, referrals are made to the New York State Attorney General. OW has been making these referrals at the end of every semester since June 1995.

**Recommendation 9**

*Ensure that accounting systems cancel the registration of any student on the first day of classes if they have an outstanding balance from the previous semester and are not anticipating receiving financial aid.*

Status - Fully Implemented

OW Action - OW officials have addressed the implementation of this recommendation by preventing students with outstanding balances from registering for the next semester. We selected a sample of students who had outstanding balances and observed OW officials attempting registration activity. The system in place did not permit any activity, and posted a message about the students' status.

### **Recommendation 10**

*Collect amounts due from the vending machine concessionaire or amend the contract accordingly.*

Status - Not Implemented

OW Action - While OW officials agreed with the intent of our recommendation, they stated that the action necessary to implement this recommendation will not be implemented until the contract is renewed in December 1997.

Auditor Comments - Because of their intentions to change the contract, OW officials believed that this recommendation should be considered implemented. The original contract was for one year, with an option to renew for four additional one year terms. Our audit report, issued March 28, 1996, included this recommendation. SUNY submitted their response to our final report June 28, 1996, claiming that the "contract was pending finalization." Yet, on November 14, 1996, four months after OW's final response, the original contract was renewed for an additional one year period from December 22, 1996 to December 21, 1997. OW did not provide documentation which would demonstrate that they attempted to collect amounts due from the vending machine concessionaire, an alternative action which would have also implemented this recommendation.

### **Recommendation 11**

*Develop and implement proper internal control procedures concerning facility rentals.*

Status - Fully Implemented

OW Action - OW has developed and implemented proper internal control procedures concerning facility rentals. The Director of Accounting now initiates the rental transaction, and the renters of the facility make payment directly to the Bursar. All rental transactions are kept in a pending file and tracked by the Bursar until they are paid. Written confirmation is then sent back to the Director of Accounting who also maintains a log book for each step of the process. We reviewed a sample of transactions, finding these controls in place.

### **Recommendation 12**

*Ensure that rental fees from outside organizations, including the amounts cited in this report, are collected and deposited into an appropriate income fund reimbursable account.*

Status - Not Implemented

OW Action - We were informed that OW officials continue to disagree with this recommendation, and accordingly do not plan any actions toward implementation.

Auditor Comments - SUNY Guidelines require that this income be handled in the appropriate manner, as prescribed.

### **EQUIPMENT CONTROLS**

#### **Recommendation 13**

*Conduct independent equipment inventories on an annual basis.*

Status - Partially Implemented

OW Action - While OW has selected independent Inventory Takers, and has begun the taking of equipment inventory, we were not provided with complete records demonstrating that the annual equipment inventory has been fully completed.

Auditor Comments - It is important that OW complete its inventory timely, so that equipment can be better managed. Subsequent to our fieldwork completion, OW officials stated that the inventory has been completed.

#### **Recommendation 14**

*Initiate and maintain equipment utilization records.*

Status - Not Implemented

OW Action - We were informed that OW officials continue to disagree with this recommendation, and accordingly do not plan any actions toward implementation.

Auditor Comments - Equipment utilization records provide management with information that is necessary for the future purchase and stocking of equipment.

#### **Recommendation 15**

*Maintain accurate and complete equipment inventory records that show the actual condition of items on hand.*

Status - Fully Implemented

OW Action - To the extent to which OW has completed the equipment inventory, we noted that the equipment records maintained are accurate and complete, and show the actual condition of items on hand.

## **COMPUTER SECURITY**

### **Recommendation 16**

*Maintain back-up copies of computer files at a different location from the original processing site.*

Status - Fully Implemented

OW Action - The Computer Center is located at the Campus Center Building Complex. Each week an OW Public Safety Officer obtains copies of the computer files contained on back-up tapes and transports these tapes to the Public Safety Unit located in the Academic Village Building Complex where they are stored. As part of our review, we observed the back-up tapes at the alternative location.

### **Recommendation 17**

*Develop a comprehensive manual of procedures for all aspects of computer security, and distribute the manual to appropriate staff.*

Status - Fully Implemented

OW Action - At the time of our follow-up review we observed that a manual of computer security had been developed by the Director of Computing Services, and distributed to appropriate staff.

Major contributors to this report were Tom Trypuc and Gennaro John Petillo.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address any unresolved matters discussed in this report. We wish to thank the management and staff of SUNY and OW for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Jerry Barber  
Audit Director

cc: Patricia A. Woodworth  
Dr. Eudora L. Pettigrew  
John Murphy