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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 18, 2000

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

Re: Report 2000-F-14

Dear 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 officials of the State University of New York College at Plattsburgh as of July 28, 2000, to address the recommendations contained in our audit report: *SUNY College at Plattsburgh Auxiliary Services Incorporated Selected Financial Management Practices* (Report 97-S-55). Our report, issued on December 11, 1998, examined whether the financial practices of the College Auxiliary Services, Incorporated (CAS) at Plattsburgh conformed with SUNY guidelines and sound business practices, were supported with adequate internal controls and acceptably reduced any risks to CAS financial viability from activities or services operating at a loss.

Background

The State University of New York (SUNY) College at Plattsburgh (College) is a college of arts and sciences offering programs at both the baccalaureate and masters level in arts and science, professional studies, and business and economics. During the 1999-2000 academic year, the College reported enrollment of more than 5,300 undergraduate and 600 graduate full-time and part-time students.

CAS at Plattsburgh is a campus-based, not for-profit corporation established to provide designated services to the College. CAS operates under a standard contract with SUNY System Administration and the College. The contract specifies the services that CAS will provide to the College and incorporates SUNY guidelines for Auxiliary Services Corporation (ASC) operations. CAS provides food, vending, bookstore, automobile rental, conferencing, identification card, cable television and campus apartment management services. In addition, CAS owns and operates the Valcour Conferencing Center and the Twin Valleys Outdoor Education Center. These two off-campus facilities are for use by the campus community and others.

Summary Conclusions

Our prior audit concluded that the CAS generally operated according to SUNY guidelines. However, we reported a particular need for CAS and the College to continue to focus efforts on monitoring and controlling costs and maximizing revenues of those CAS operations that report annual financial losses. This is important because losses in any particular aspect of CAS operations must be subsidized or offset by those aspects of operations that are profitable. Diminished profitability lessens CAS's further contributions to the campus community. In the case of the Valcour Conferencing Center and Twin Valleys Outdoor Education Center, operations which appear likely to continue to experience operating losses, we recommended that CAS and the College develop strategic plans that will lead to significant new revenues and/or new program objectives that justify the benefit of these operations to the campus community. In the absence of such efforts, CAS and the College should consider whether maintaining them is worth the benefit derived to the campus community. In addition, we found that CAS revenue and expenditure functions did not provide for the necessary separation of duties and lacked certain other control requirements.

In our follow-up review, we found that CAS and the College management monitor CAS operations to control costs and maximize revenues. Specifically, we found that CAS and the College developed a strategic plan toward identifying new revenues and/or new program objectives for the Valcour Conferencing Center. However, CAS and College officials were still developing a similar strategic plan for the Twin Valleys Outdoor Education Center. We also found that CAS and the College officials had implemented our recommendations to improve their internal controls related to their cash receipts and cash disbursement functions.

Summary of Status of Prior Audit Recommendations

Of the eight audit recommendations contained in our prior report, College officials have implemented seven recommendations and have partially implemented the remaining recommendation.

Follow-up Observations

Recommendation 1

Continue to focus efforts on monitoring and controlling costs and maximizing revenues for CAS operations that report annual financial losses.

Status - Implemented

Agency Action - College and CAS officials are continually looking for ways to reduce cost, enhance services, and increase revenues toward improving the cost/benefit of CAS operations. For example, CAS reportedly has taken steps to reduce costs. These steps

include reducing caretaker hours at Twin Valleys from 20 hours to 10 hours per week; expanding the relationship with the New York State Department of Correctional Services to obtain maintenance and improvements without incurring labor costs, selling firewood and changing the groundskeeper position at Valcour Educational Conference Center from 12 months to 10 months - an annual savings of \$10,000.

Recommendation 2

Develop a strategic plan that will lead to significant new revenues and/or new program objectives that justify the benefit of Valcour to the campus community. In the absence of such an effort, CAS and the College should consider whether maintaining Valcour is worth the benefit derived to the campus community.

Status - Implemented

Agency Action - CAS contracted with a consulting firm for the development of a strategic plan for Valcour. Officials provided us with information related to the consultant's conclusions and recommendations. Specifically, the agreement provides that the consultant will evaluate how the facility is promoted, analyze employee performance and productivity and pinpoint areas for possible improvement. CAS officials stated that the consultant believed that Valcour could operate at breakeven excluding consideration of capital costs. In addition, CAS and the College reviewed Valcour's pricing structure. This review led to price increases. Catering income also reportedly increased by \$11,000 from 1998 to 1999. The CAS is also marketing the use of Valcour to alumni as well as to the College for various programs.

Recommendation 3

Develop a strategic plan that will lead to significant new revenues and/or new program objectives that justify the benefit of Twin Valleys to the campus community. In the absence of such an effort, CAS and the College should consider whether maintaining Twin Valley is worth the benefit derived to the campus community.

Status - Partially Implemented

Agency Action - College officials recently completed a strategic plan for the College. This plan emphasizes the development of civic responsibility among students. CAS and College officials are in the process of creating a specific strategic plan for Twin Valleys which will begin in the 2000-01 year. This plan will build from the College's plan toward promoting the use of Twin Valleys facility for student retreats. They also plan that the facility will support the College's newly created Adirondack Experience curriculum. Officials stated that they have also developed a marketing strategy for the Twin Valleys Outdoor Educational Center. The plan encourages faculty in relevant academic programs to make use of the facility.

Recommendation 4

Monitor attainment of the goal of having self sufficient Conferencing service within five years.

Status - Implemented

Agency Action - CAS officials monitor the self-sufficiency of conferencing services. The officials stated that they also track the amount of reciprocal sales generated by the conferencing services. For example, CAS officials stated that during CAS' 1999-2000 fiscal year, reciprocal sales totaled more than \$118,000.

Recommendation 5

Monitor attainment of the goal of declining Credit Card service costs resulting from increased card use.

Status - Implemented

Agency Action - CAS officials told us during summer orientation program, new students and their parents learn of the array of services from the card program. These officials monitor the costs associated with using this card towards the goal of increasing its use and reducing the costs. Officials provided us with documentation showing this increased use and decreasing costs.

Recommendation 6

Examine CAS cash receipts and cash disbursement functions and implement separation of duties controls such as those recommended in the State Comptroller's cash control guidelines wherever possible.

Status - Implemented

Agency Action - College and CAS officials have separated, to the extend possible, their cash receipt and cash disbursement functions toward improving internal controls.

Recommendation 7

Strengthen CAS controls by implementing uniform press-numbered receipt forms, restrictive endorsement of checks upon receipt, review of disbursement documentation by those who sign disbursement checks and a mileage log to account for rental vehicle use.

Status - Implemented

Agency Action - College and CAS officials implemented uniform press-numbered receipt forms, restrictive endorsement of checks upon receipt, review of disbursement documentation by those who sign disbursement checks and a mileage log to account for rental vehicle use.

Recommendation 8

Develop written procedures in support of revenue and expenditure functions and controls utilized in all CAS operations.

Status - Implemented

Agency Action - College and CAS officials developed written procedures in support of revenue and expenditure functions and controls utilized in all CAS operations.

The major contributor to this report was Richard Sturm.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address the remaining unresolved matter discussed in this report. We also thank College and CAS management and staff for the courtesies and cooperation extended to our auditor during this review.

Very truly yours,

Jerry Barber
Audit Director

cc: Dr. Horace Judson, President, College at Plattsburgh
Cheryll Hogle, Executive Director, CAS
John Homburger, Treasurer, CAS Vice President for Business Affairs
John Murphy, University Auditor
Charles Conaway, Division of the Budget