

THOMAS P. DiNAPOLI  
STATE COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

October 10, 2007

Dr. John B. Clark  
Interim Chancellor  
State University of New York  
State University Plaza  
Albany, New York 12246

Dr. Kimberly R. Cline  
Acting President  
SUNY - Empire State College  
One Union Avenue  
Saratoga Springs, NY 12866

Re: Report 2007-F-28

Dear Chancellor Clark and President Cline:

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's (SUNY's) Empire State College to implement the recommendations contained in our audit report, *Empire State College: Internal Controls Over Selected Financial Management Practices* (Report 2005-S-73).

**Background, Scope and Objective**

Empire State College (Empire) is one of 13 university colleges within SUNY. Empire was founded in 1971 to offer nontraditional methods of taking college courses and obtaining college degrees. Empire's mission is to enable motivated adults, regardless of their circumstances or distance from a college, to design a rigorous, individualized academic program and earn a college degree. Empire operates out of 35 locations across New York State. These locations include a central administrative office in Saratoga Springs and seven regional centers. There are also several satellite offices in each region.

Empire offers five undergraduate degrees in 11 areas of study and graduate degrees in six areas of study. Generally, Empire's faculty members work with students individually. They function as mentors and guide students as they pursue their degrees. Students may earn credits through guided independent study, small group seminars, online courses, internships and cross-registered courses (traditional courses provided by other colleges). About 16,000 students are enrolled at Empire; 75 percent of whom are full-time students.

Empire's financial operations are for the most part centralized at the administrative office in Saratoga Springs. For example, this office approves and processes expenditures, performs risk assessments, approves procurement and contracting activities, approves equipment purchases, processes payroll transactions, oversees personnel transactions, and collects revenues.

In addition, some financial operations are decentralized at the regional centers, as the dean of each regional center oversees the day-to-day financial activities in each region. For example, the deans are responsible for managing revenue allocations, supervising and monitoring faculty and staff, and approving and overseeing personnel transactions and procurement activities within the regions.

Our initial audit report, which was issued on August 1, 2006, examined Empire's internal controls over selected financial management functions. Our audit covered the period from April 1, 2004 through December 31, 2005. The objective of our performance audit was to determine whether Empire had established effective systems of internal control over the following financial management functions: payroll, revenue and collection activities; contracting and procurement; cash and investments; equipment and asset management; budgeting and expenditure control; accounting and information systems; and risk assessment. Our initial audit found that, generally, Empire had established policies and procedures to provide an adequate level of internal control over its financial operations. However, certain improvements were needed in Empire's controls over revenue collection activities, payroll processing, and equipment and asset management. 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 September 21, 2007 of the nine recommendations included in our initial report.

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

We determined the Empire State College officials made significant progress in addressing the matters included in our initial audit report. Officials implemented the nine recommendations contained in our report.

### **Follow-up Observations**

#### **Recommendation 1**

*Periodically review individual and summary accounts receivable records to ensure that the summary records are accurate and collection efforts are initiated promptly on individual accounts.*

Status - Implemented

Agency Action - Empire officials established a new academic calendar (having 5 terms per year) that will begin in November 2007. Each term has a formal starting date and a corresponding due date for tuition and other fees owed to Empire. Further, officials established new procedures to review student accounts timely (based on term start and payment due dates) and to ensure that collection efforts are initiated promptly for accounts that are overdue. If a student has not fully paid balances owed to Empire after 5 billing cycles, the student's account is referred to the State Attorney General. Based on the results of actions by the Attorney General, Empire officials formally determine whether an account remains

collectible or should be written off. In addition, Empire staff review individual student accounts each term to evaluate their status, including the possible referral to the Attorney General or need to be written off. Based on this review, adjustments are made to individual student and summary accounts receivable records, as appropriate.

### **Recommendation 2**

*Establish a policy for writing off as uncollectible delinquent accounts not likely to be collected, and comply with that policy.*

Status - Implemented

Agency Action - Empire officials developed written guidance for writing off uncollectible delinquent accounts. Empire officials maintain an account (as collectible) until the Attorney General advises them that payment will be made, or the balance should be written off as uncollectible. We reviewed ten accounts written off by Empire officials and determined that all of the balances were written off in accordance with the new policy.

### **Recommendation 3**

*Bill the four students who have yet to be billed for the unpaid third-party registrations.*

Status - Implemented

Agency Action - Empire officials billed the four students cited in our initial audit report for their unpaid balances. One student paid the outstanding balance in full, and another student's balance was paid by a third party. The payments received for these two students totaled \$7,200. One student's balance was written off as uncollectible, in accordance with the new policy. The remaining student's account was referred to the Attorney General.

### **Recommendation 4**

*Reinforce the existing requirement concerning letters of credit for third-party registrations and develop additional safeguards to ensure such letters are provided before the registrations are processed.*

Status - Implemented

Agency Action - Officials strengthened procedures for third-party letters of credit. With the establishment of the new academic calendar, students must now submit third-party letters of credit to Empire prior to a term's prescribed payment due date. If the letter of credit is not received by the due date, the student's registration will be cancelled. We selected ten students, whose tuition and fees were to be paid by third parties, and verified that the corresponding letters of credit for all ten students were received by the prescribed due dates.

### **Recommendation 5**

*Develop new policies and procedures for preventing delays in the processing of payroll additions and removals, monitor the timeliness of these transactions, and take corrective action when these transactions are not processed in a timely manner.*

Status - Implemented

Agency Action - Empire officials developed and implemented a roster-driven tracking process to add and delete employees to the payroll system timely. The tracking process will include procedures to ensure that changes in staff rosters are accompanied by corresponding payroll system changes, as warranted. The new process was piloted for the September 2006 term and was fully implemented for the May 2007 term.

### **Recommendation 6**

*Provide training for deans and staff on the need to submit the appropriate documentation promptly to the Office of Human Resources when employees must be added to or removed from the payroll register.*

Status - Implemented

Agency Action - Between July 2006 and January 2007, Empire officials held several formal training sessions in which Deans and other administrative staff were instructed on the need to submit required documentation promptly to Empire's Office of Human Resources when employees are added to or removed from the payroll system.

### **Recommendation 7**

*Develop a formal policy requiring the credentials of part-time faculty be verified, and develop guidelines for the verification process.*

Status - Implemented

Agency Action - Empire officials developed a formal policy which requires the credentials of part-time faculty to be verified. The new policy also prescribes the steps necessary for the verification process. The guidelines require written verification that part-time faculty have met the educational requirements for their positions. In general, formal verifications should be made prior to placing new part-time faculty on the payroll. However, in emergency situations, the required verification must be made within 30 days of hiring a new faculty member.

**Recommendation 8**

*Distribute the appropriate sections of the new fleet management policy to the appropriate employees.*

Status - Implemented

Agency Action - Empire officials established a new fleet management use policy which is available to all employees through the college's intranet. In addition, notification of the new policy was made through an e-mail sent to all Empire employees.

**Recommendation 9**

*Record bulk train tickets in the ticket log when they are purchased. Require travelers to either attach their ticket stubs to their travel vouchers or remit the stubs to the business office. Periodically reconcile used ticket stubs and unused tickets against the ticket log and employee travel records. Revise the Fiscal Budgetary Procedures Manual to reflect these new procedures and distribute the revised procedures to all affected employees.*

Status - Implemented

Agency Action - Empire now records bulk-purchased train tickets in a log. Also, officials now require travelers to attach used ticket stubs to their travel vouchers - or, if no voucher is submitted, to return the used ticket stub to the business office. All Empire employees were notified of this requirement in May 2006. Business office staff record the disposition of all tickets issued. Further, the business office reconciles the log to the tickets on hand quarterly, as prescribed by updates to the Fiscal Budgetary Procedures Manual.

Major contributors to this report were Bill Clynes, Don Collins and Nisha Thomas.

We thank the management and staff of Empire State College for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Brian E. Mason  
Audit Manager

cc: Mr. Paul Tucci (Empire State College)  
Mr. Michael Abbott (SUNY - University Audit)  
Ms. Lisa Ng (Division of Budget)