

H. CARL McCALL
STATE COMPTROLLER



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

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 29, 1996

Ms. W. Ann Reynolds
Chancellor
City University of New York
535 East 80th Street
New York, NY 10021

Re: Report 96-F-41

Dear Ms. Reynolds:

Pursuant to the State Comptroller's authority as set forth in the State Constitution, the State Finance Law, and the General Municipal Law, we have reviewed the actions taken by officials of the City University of New York (CUNY), as of September 18, 1996, to implement the recommendations included in our Report A-4-93. The report, which was issued June 28, 1993, reviewed certain financial-related controls over Baruch College's Executive Programs.

Background

CUNY's Baruch College School of Business and Public Administration (Baruch) offers three, two-year graduate Executive Programs leading to a Master's degree in either Business Administration (MBA) or Public Administration (MPA), or a Master of Science degree in Industrial and Labor Relations (MSILR). These programs are administered separately by Baruch.

Students enrolled in the programs remit charges to the Programs' Executive Director. Tuition and fees in the 1995-96 academic year were \$16,000 for the MBA program, \$10,000 for the MPA program, and \$4,200 for the MSILR program. From these amounts, Baruch received its regular graduate school tuition of \$2,175 for State residents and \$3,800 for out-of-State students. The balance was used to cover the Executive Programs' expenditures, such as faculty salaries, books and instructional materials, special events, and overhead. The tuition is designed to ensure that the programs are self-sustaining. For the 1995-96 academic year, the Executive Programs reported \$1.3 million in tuition and fees. The prior report concentrated on internal controls over the imposition, collection, and disbursement of the Executive Programs' revenues.

Summary Conclusion

During our prior review of Baruch's Executive Programs, we found a significant need to strengthen the school's internal controls over the imposition, collection, and accounting for tuition. Furthermore, because the Programs used a single-entry bookkeeping system, there was no assurance that all receipts and disbursements were fully recorded and properly accounted for. In addition, we found numerous omissions, inaccuracies, and misallocations of expenditures among the programs; and noted that transfers of money between the programs and other Baruch funds were not always properly recorded. In our follow-up review, we found that Baruch officials have made significant progress in implementing the recommendations in our prior report.

Summary of Status of Prior Report Recommendations

Of the nine prior report recommendations, Baruch officials have fully implemented eight recommendations and partially implemented one recommendation.

Follow-up Observations

Recommendation 1

Use a double-entry bookkeeping system and maintain adequate control and recordkeeping for all transactions of the Programs.

Recommendation 2

Develop a chart of accounts and ensure that expenses are properly allocated.

Status - Fully Implemented

Agency Action - Baruch now uses a fund accounting software developed by a vendor. This software provides a double-entry bookkeeping system that includes modules for general ledger financial reporting, cost allocation, and accounts payable; and generates a trial balance. Using the new fund accounting software, Baruch has also developed a chart of accounts for revenues and expenses that is appropriate for the programs. The income and expense accounts are assigned codes that categorize them by program for the Combined Balance Sheet and the Combined Revenue and Expense Statements.

Recommendation 3

Ensure that there is proper segregation of duties over bookkeeping functions.

Status - Fully Implemented

Agency Action - Baruch officials have restructured the duties for the accounting of revenues and expenses of the Executive Programs. The Executive Programs Office now

forwards tuition payments from graduate students to Baruch's Budget Office. Also, the bookkeeping function in the Controller's Office has been segregated; one employee now prepares the request for payment, while another prepares the checks. Checks are signed by the Controller and countersigned by the Treasurer. Monthly bank reconciliations are performed by an employee independent of the process.

Recommendation 4

Require a payment request for all imprest fund transactions, and allocate these costs to the appropriate program.

Status - Fully Implemented

Agency Action - Our review of paid payment request (voucher) files for March and June 1996 showed that imprest fund payments were supported by payment requests and the amounts were allocated to the appropriate program.

Recommendation 5

Strengthen controls over the tuition process to ensure that:

- *The appropriate amount of regular graduate school tuition is remitted to Baruch College;*
- *Students are billed and pay the full tuition due;*
- *A written withdrawal policy is developed and followed;*
- *TAP payments are properly accounted for;*
- *Tuition receipts are reconciled with cash deposits; and*
- *Tuition waivers are properly accounted for.*

Status - Partially Implemented

Agency Action - All 126 graduate school students enrolled in the Executive Programs during the 1995-96 academic year were billed for their tuition and program fees. Our review of a sample of 16 of the 126 student accounts showed that the students had paid their full tuition, and the appropriate amount had been remitted to Baruch.

The enrollment contract provided to graduate students in the Executive Programs now includes a withdrawal policy. The policy, which details the conditions under which refunds are granted, requires students to submit official written notice to the Executive Programs Office of their intent to withdraw from the Programs. The withdrawal policy is also explained in Baruch's

"Guide to Academic Policies and Procedures," which is available to all students. We determined that the two students who withdrew from the Executive Programs in Fall 1995 received the correct refund amount.

During the 1995-96 academic year, three Executive Programs students received Tuition Assistance Program (TAP) payments. Our review of the students' accounts showed that their tuition fees had been properly credited with these payments.

Certain students who work at CUNY are entitled to a tuition waiver of up to six credits per semester, a benefit valued at \$1,110. Our review of the records of six Executive Programs students who were approved for a tuition fee waiver showed that the tuition waivers had been properly accounted for.

However, tuition receipts are still not being reconciled with cash deposits. The accountant in Baruch's Budget Office who receives the students' checks from the Executive Programs prepares a list of students who have paid their tuition and program fees. These payment checks are forwarded to the Controller's Office to be deposited in the Baruch Exchange Account. However, a copy of the bank deposit slip is not given to the accountant. Therefore, the accountant cannot reconcile the tuition receipts listed with the actual bank deposits. Baruch's Controller stated that tuition receipts are compared with internal monthly reports listing bank deposits that were reportedly made and that this comparison complies with this part of the recommendation.

Auditors' Comments - We maintain that tuition receipts need to be reconciled with an independent record of the actual cash deposits.

Recommendation 6

Pay only expenses that directly relate to the purposes of the Executive Programs.

Status - Fully Implemented

Agency Action - Our review of 64 paid payment requests for June 1996 showed that the expenses charged to the Programs were directly related to the purposes of the Programs.

Recommendation 7

Ensure that all expenses of the Programs are charged to the appropriate program.

Status - Fully Implemented

Agency Action - An accountant analyzes every expense in the payment request file and codes them to the appropriate program prior to payment and recording. Our review of paid payment requests for June 1996 showed that the expenses had been charged and allocated to the appropriate programs. The salaries of the Executive Programs Director and other employees, which had previously not been charged to the programs, are now being charged appropriately.

Recommendation 8

Discontinue the practice of paying faculty and student employees as independent contractors.

Status - Fully Implemented

Agency Action - All 47 faculty and employees of the Executive Programs are now salaried employees for whom taxes are withheld.

Recommendation 9

Allocate in a proportionate manner expenses that affect the three programs.

Status - Fully Implemented

Agency Action - Our review of paid payment requests for June 1996 showed that the expenses charged to the Programs had been allocated appropriately to the three degree programs.

Major contributors to this report were Walter Mendelson, Albert Kee and Arturo Rodriguez.

We would appreciate your response to this report within 30 days, indicating any action planned or taken to address the unresolved matter discussed in this report. We also thank the management and staff of CUNY's Office of Internal Audit and Baruch College for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

Frank J. Houston
Audit Director

cc: Louis Chiacchere