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OFFICE OF THE STATE COMPTROLLER

November 19, 2009

Dr. Joyce Brown
President
SUNY/Fashion Institute of Technology
Seventh Avenue and 27th Street
New York, NY 10001-5992

Re: Report 2009-F-13

Dear President Brown:

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 Fashion Institute of Technology (FIT) to implement the recommendations contained in our audit report, *Selected Financial Management Practices* (Report 2006-S-71).

Background, Scope and Objective

FIT is a community college that offers associate's, bachelor's and master's degrees in more than 30 programs. FIT receives its principal financial support from New York State and the City of New York. The college's local sponsorship comes from the New York City Department of Education in cooperation with the Educational Foundation for the Fashion Industries. Like all other community colleges in New York State, FIT is not a State-operated campus. However, for academic program purposes, it is affiliated with the State University of New York.

FIT's campus, located in New York City, features five academic and administrative buildings and four dormitories that house about 2,300 students. During the 2008-09 academic year, approximately 10,000 students were enrolled in credit-bearing courses at FIT. For 2008-09, the annual resident rate of tuition for full-time students was \$3,414; mandatory fees, books and supplies amounted to approximately \$2,040; and room and board totaled about \$9,760. Revenues for the fiscal year ending June 30, 2008, totaled \$158.3 million; expenses totaled \$146.7 million.

The objective of our audit was to assess the extent of implementation as of October 19, 2009, of the 16 recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that FIT has made significant progress addressing the issues identified in our initial report. Of the 16 audit recommendations in the initial report, 13 have been implemented and 3 have been partially implemented.

Follow-up Observations

Recommendation 1

Conduct an annual physical inventory of equipment and follow-up inventories as necessary.

Status - Implemented

Agency Action - FIT officials provided us with documentation showing that physical inventories and follow-up inventories were conducted in both 2008 and 2009.

Recommendation 2

Require each department head to maintain an accurate inventory of FIT property and adhere to all related policies and procedures.

Status - Implemented

Agency Action - FIT officials issued a memo to the head of all FIT departments informing them of their responsibilities to report equipment inventory transactions. The memo also reiterated the need to maintain accurate records of the equipment assigned to their department.

Recommendation 3

Reconcile and investigate all differences between inventory records and physical counts.

Status - Implemented

Agency Action - FIT officials provided us with documentation showing that they had investigated and reconciled all differences between the inventory records and physical counts.

Recommendation 4

Keep inventory records up-to-date by adjusting for disposals, transfers or location changes.

Status - Implemented

Agency Action - We tested a sample of 12 equipment items from the current inventory records

and determined that all 12 items were at the locations recorded on the equipment inventory system.

Recommendation 5

Include accurate relevant information on the inventory records, including location (building and room), serial number, description, manufacturer, model, unit cost, tag number and date of acquisition.

Status - Implemented

Agency Action - We reviewed the information captured in FIT's inventory records for a sample of 12 items and found that the inventory record included all relevant information, such as acquisition dates, costs, description, serial numbers, and location of the item.

Recommendation 6

Formally assess the usefulness of available software packages to help maintain complete, accurate and up-to-date equipment inventory control records. Acquire and make operational such software, as appropriate.

Status - Implemented

Agency Action - FIT officials provided us with documentation showing the school, in 2008, had purchased and installed software and scanning equipment to record, maintain and track the status of its inventory. We observed the operation of this system during this follow-up audit.

Recommendation 7

Send invitations for bids or RFPs to a sufficient number of prospective vendors specified by FITs procurement guidelines.

Status - Partially Implemented

Agency Action - We reviewed supporting documentation for a sample of 10 items, totaling \$6,416,506, that were purchased during the three month period of July 1, 2008 through September 30, 2008, to determine whether a sufficient number of prospective vendors were solicited for each purchase. FIT officials provided us with documentation showing that between 5 to 23 bids were solicited for eight of the ten purchases. FIT officials, provided us with documentation to show that bidding was not required for the ninth purchase because the vendor was listed on a State contract. FIT officials could not provide any documentation to show that more than one vendor was solicited for the tenth purchase.

Recommendation 8

Allow sufficient lead time to provide for proper vendor competition, as required by FIT purchasing guidelines.

Status - Partially Implemented

Agency Action - FIT's purchasing guidelines allows prospective vendors two weeks in which to submit their bids. For the same ten purchases identified in the Agency Action for recommendation number 7, we reviewed FIT files to determine whether sufficient lead time was provided for prospective vendors to submit their bids. Our analysis determined that, for eight of the ten purchases, vendors were given between 15 and 30 days to submit their bids. Documentation provided by FIT did not provide enough information to determine lead times for the two remaining purchases.

Recommendation 9

Require consultants to provide detailed written documentation, including the names of personnel and the hours they worked, to support their bills to FIT.

Status - Implemented

Agency Action - We reviewed documentation to support payments made to ten consultants. We found that the written documentation was detailed and included names of personnel and the hours worked.

Recommendation 10

Actively monitor the certified hours that part-time staff are paid to ensure compliance with budget restrictions.

Status - Implemented

Agency Action - FIT officials provided us with documentation showing that the certified hours of part-time staff are actively monitored to ensure compliance with budget restrictions. This documentation included the budget office's review of a department's budget, including the budgeted hours allotted for part-time staff. Differences between the budgeted hours and actual hours worked were identified and resolved by staff in the Budget office.

Recommendation 11

Improve control over the leave accruals of part-time employees by periodically reconciling time charges recorded on the time sheets with the information on the leave accrual spreadsheet and by periodically providing accrual information to part-time employees so that they can monitor their balances.

Status - Implemented

Agency Action - FIT has implemented an on-line time sheet system for all employees. Under this new system, both part-time employees and their supervisors are able to access, monitor and reconcile time charges and balances.

Recommendation 12

Formally notify operating units whenever employee timesheets are not submitted timely.

Status - Implemented

Agency Action - FIT officials provided us with copies of e-mails sent by the Human Resources Department to officials in various departments informing them when employee timesheets had not been submitted timely.

Recommendation 13

Implement controls to ensure adjuncts are not inappropriately paid for absences.

Status - Implemented

Agency Action - FIT's Faculty Absence Report lists the dates and time charges for all adjuncts. Since fall 2007, department chairpersons and deans are required to review, verify and approve Faculty Absence Reports, monthly. The Payroll Office then uses the Faculty Absence Report to adjust an adjunct's time charges and to make payroll deductions if the adjunct has an insufficient accrual balance. We reviewed the Faculty Absence Reports for a judgmental sample of six adjuncts and noted evidence of Payroll Office reviews and changes.

Recommendation 14

Develop and implement a formal disaster recovery plan.

Status - Partially Implemented.

Agency Action - Although FIT officials have not yet developed and implemented a formal disaster recovery plan, they are considering a number of options to address this issue. These options include the identification of space that could serve as a disaster recovery site; renovation of their primary data center and an installation of a power generator at that location; and the feasibility of using a separate power grid. Further, FIT officials provided us with documentation that shows they will begin evaluating new ISP circuits. The circuits could provide FIT with network access in the event of an emergency in the primary data center.

Recommendation 15

In lieu of a FIT-owned alternate computer site, formally assess potential options for back-up computer services with an outside information technology service source.

Status - Implemented

Agency Action - FIT officials provided us with documentation showing that they are in the process of assessing options for back up computer services. The documentation shows there has been on-going communication between FIT and an outside technology service organization about back-up of the school's computer services. However, FIT officials told us that planning and assessment for this initiative has not been completed due to lack of funding.

Recommendation 16

Prepare and maintain up-to-date documentation of policies and procedures for all financial management functions, particularly those functions cited previously for which existing documentation was deficient.

Status - Implemented

Agency Action - The original audit report stated that FIT did not have sufficient policies and procedures for four financial management functions - tuition and fees, accounting and information systems, cash and investments, and payroll. We found that FIT has since updated its policies and procedures for the cash management and investments functions. In addition, policies and procedures manuals have been prepared for the accounting and information systems and the payroll functions. FIT has also revised its policies and procedures to include the administration of the Bursar Office responsibilities as it pertains to tuition and fees.

Major contributors to this report were Sheila Jones, Joan Williams and Teeranmattie Mahtoo-Dhanraj.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of Fashion Institute of Technology for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Kenrick A. Sifontes
Audit Manager

cc: David Rankert, FIT
George Davis, NYC Office of Operations