



Hudson Valley Community College

Tuition and Fees

Report of Examination

Period Covered:

September 1, 2014 — May 31, 2016

2016M-348



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2017

Dear Community College Officials:

A top priority of the Office of the State Comptroller is to help community college officials manage their college resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support college operations. The Comptroller oversees the fiscal affairs of community colleges statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board of Trustee governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard community college assets.

Following is a report of our audit of Hudson Valley Community College entitled Tuition and Fees. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for community college officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

Hudson Valley Community College (College), founded in 1953 as part of the State University of New York (SUNY) system, is located in the City of Troy in Rensselaer County. The College also provides instruction at four other locations.¹ The College is governed by a Board of Trustees (Board) which is comprised of 10 members: five who are appointed by the local sponsor, the Rensselaer County Legislature; four are appointed by the Governor; and a student member is elected by the students. The Board is responsible for the general management and control of the College's financial and educational affairs. The President of the College is the College's chief executive officer and is responsible for the College's administration. The Vice President of Finance is the College's chief fiscal officer. Both are responsible, along with other administrative staff, for the College's day-to-day management under the Board's direction.

The College's Comptroller is responsible for fiscal operations and supervision of personnel in a variety of financial services departments in the college's administration, including accounts payable and receivable, contracts and grants, payroll, banking and investments and the Bursar's Office. In addition to receiving College money for tuition and other fee payments, the Bursar's Office is responsible for billing students, collecting money for tuition and other student-related fee payments, initiating refund payments and enforcing delinquent student accounts.

During the 2016 spring semester, the college had an approximate enrollment of 5,100 full-time and 5,500 part-time students. The College employed approximately 680 administrators, faculty and staff during the 2014-15 fiscal year. Budgeted appropriations for the 2014-15 fiscal year were \$94 million, which were funded primarily with County sponsorship moneys,² tuition, charge backs³ and other student-related fees, State aid and various Federal, State, local and private grants. Tuition and fees for the 2014-15 fiscal year totaled approximately \$43.5 million.

¹ The Rensselaer Technology Park in Troy, Albany Extension Center, Energy Efficiency and Sustainability Programs Training Lab in Troy and TECH-SMART in the Town of Malta

² County sponsorship moneys for 2014-15 totaled \$4.5 million.

³ Charge backs are revenue received from the "home counties" of students living outside of Rensselaer County who are attending the College.

Objective

The objective of our audit was to review the College's processes for billing, collecting and recording tuition and fees. Our audit addressed the following related question:

- Did College officials ensure tuition and fees were properly billed, collected and recorded?

Scope and Methodology

We examined the College's tuition and fee processing for the period September 1, 2014 through May 31, 2016. In addition, we also examined internal controls over the College's information technology (IT) system during our audit period. Our audit identified areas in need of improvement concerning IT controls. Because of the sensitivity of this information, the vulnerabilities we found are not discussed in this report but have been communicated confidentially to College officials so they could take corrective action.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of College Officials

The results of our audit have been discussed with College officials, and their comments, which appear in Appendix A, have been considered in preparing this report. College officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the President's office.

Tuition and Fees

A well-designed system of internal controls over tuition and fees and the associated student accounts requires College officials to establish policies and procedures that provide guidance for individuals involved in billing, collecting, recording and refunding student accounts. These policies and procedures should ensure billings, collections and refunds are accurately recorded and properly approved and documented.

College officials also must provide sufficient oversight of those officials and employees involved in the billing and collection processes. Additionally, when computerized software applications are used to maintain records of billings and collections, it is important that College officials establish controls within the computerized system to ensure transactions are properly approved and preserved.

College officials ensured that tuition and fees were properly billed, collected, recorded and refunded. However, we identified weaknesses in the College's use of a computerized program to maintain records of tuition and fee billings and collections. Specifically, we found that employees were using one computer account to process parking decals and not retaining information related to deleted receipts. In addition, College officials were not using a tracking feature to identify changes made within the computer system.

Billing, Collecting and Recording

An effective system of internal controls over cash receipts and disbursements requires the proper distribution of duties so that one individual does not perform incompatible functions of cash collection, recordkeeping, custody and disbursement.

The College uses an Enterprise Resource Planning (ERP) system⁴ to maintain records of student enrollment, tuition billings, payments, refunds and fee processing.⁵ Within the ERP system, student enrollment is integrated with billings and payments, which provides the College with a mechanism to ensure that enrolled students are properly billed and collections are properly recorded for each student account. The ERP system automatically disenrolls students from their course schedules when they do not make timely payments or are otherwise deemed noncommitted.⁶

⁴ An ERP system is a business process management software application that uses integrated modules to manage business and administrative functions.

⁵ Other fees include records and activities, technology, health, laboratory, SUNY assessment and vehicle registration fees.

⁶ Such as if a student has not paid for tuition and fees and has not made suitable arrangements to pay

The Board sets tuition on an annual basis, and the billing process begins when the Enrollment Committee determines the registration calendar. This calendar dictates when students can begin registering for classes, when tuition is due, when students will be disenrolled from their course schedules for nonpayment and when they can withdraw from courses while still obtaining tuition refunds. The Bursar establishes billing rules⁷ in the ERP system (i.e., tuition and fees per credit hour for part-time students, tuition and fees for full-time students and tuition and fees for nonresident full- or part-time students).

The Comptroller reviews and approves the billing rules before the ERP system automatically generates the bills (based on the approved rules) and mails them. The ERP system also automatically calculates and generates payments to students who received excess financial aid,⁸ refunds and adjustments. These payments are reviewed and approved by the Accounts Payable Department and the Comptroller.

The Bursar's Office cashiers collect payments for tuition and fees and record all payments in the ERP system. Students can make payments in person at the Cashier's Office, online by check or credit card, by phone and by mail. The ERP system generates receipts that are printed and given to students.⁹

Each cashier collects tuition and fees for a period of time called a session. At the end of their session, each cashier verifies the total they have collected in cash, checks and credit card receipts and ensures the amount matches what they entered into the ERP system. Each session is independently verified by another cashier.

Cash and coin collections are consolidated, prepared for deposit and independently verified by two Cashier's Office employees. Checks are scanned for deposit at the Bursar's Office. The Assistant Bursar performs a daily reconciliation of payments received at the Bursar's Office and online.

We reviewed a judgmental sample of 30 cash receipts¹⁰ totaling \$66,209 to determine whether they were accurately recorded in student accounts and deposited. Additionally, we reviewed a random sample

⁷ The rules are governed by tables within the ERP system that direct how billing is conducted.

⁸ Financial aid received by the College on a student's behalf is used to satisfy student tuition and fee charges in a prescribed order of precedence. Any financial aid not needed to satisfy a tuition or fee balance is refunded to the student.

⁹ Receipts are printed and provided to the payee if paid in person. Receipts are emailed if payment was made online.

¹⁰ We chose to review the 30 cash receipts based on dollar amounts.

of 40 student accounts to determine whether the amounts charged for tuition and fees matched established tuition and fee schedules, were accurately recorded and contained adequate supporting documentation. We did not find any discrepancies. We also reviewed a judgmental sample of 25 adjustments totaling \$82,737 made during our audit period and found they were accurately recorded in each student's account and supported by sufficient documentation.

ERP System

Because the College uses the ERP system to record the billing and collection of tuition and fees, it is imperative that the College maintain adequate controls over the system, data entered into it and data produced by it. Effective controls over user access to the ERP system require each user to have their own user account. If user accounts are not affiliated with a specific user but are shared among multiple users, accountability over transactions is diminished.

Effective controls also include the use of an audit trail, also known as an audit log, which is a computer-generated record of any change or transaction made in the system. Audit trails enable management to determine when an entry was made and what it entailed. They also establish individual accountability by identifying the user accounts associated with each entry and adjustment. Management or its designee must review audit trails to monitor user activity.

Additionally, best practices dictate that staff issue prenumbered sequential receipts for payments to document all collections. When computerized receipts are issued, it is essential that staff retain the receipts in their original form and that College officials establish controls to prevent the receipts from being modified or deleted.

Although we did not find any discrepancies in the billing, collection and recording of tuition and fees, we identified weaknesses in the ERP system related to user accounts, computerized receipts and audit trails. We found that multiple temporary Bursar's Office employees used one generic computer account during periods of high volume to issue parking decals and access read-only student account information. Each permanent Bursar's Office employee had an individual user account. Although all user accounts are properly restricted to appropriate functions within the software, accountability over the recording of transactions is diminished when multiple employees use the same user account.

We also found missing receipt numbers within the sequential receipt order. The ERP system generates sequentially numbered receipts for all collections, and Bursar's Office employees did not have the ability to manually assign or modify receipt numbers within the system or delete receipts from the system once they were issued.

However, we reviewed receipt data containing 176,675 receipt numbers generated during our audit period and found that 151 receipt numbers were not included in the data, and staff could not account for them. The Comptroller told us that receipt numbers occasionally can be deleted during data maintenance procedures. For example, the College's information technology services unit conducts file maintenance and will occasionally delete (purge) a duplicate student profile, which could also result in the purging of receipts and other numbered documents associated with that profile.

The purging of duplicate student profiles can be performed only by the information technology services unit, which maintains a historical record of student profile maintenance. However, the maintenance records provided did not clearly identify the missing receipt numbers. As a result, we could not definitively determine if the 151 missing receipts were deleted for appropriate purposes.

In addition, we also found that the ERP system's audit trail was not active during our audit period. Accordingly, College officials were unable to provide us with a chronologically documented sequence of activities that affected billing, collecting and recording cash receipts. College officials activated the audit trail while we were on site.

When controls such as individualized user accounts and audit trails are not used properly, and when College officials do not review and account for deleted receipts, the College has an increased risk that unauthorized changes could be made to student data or inappropriate transactions could be performed and remain undetected and uncorrected in a timely manner.

Refunds

To prevent unauthorized refund payments and misuse of funds, the College must implement effective controls over the issuance of student refund checks. The College contracts with a third-party administrator that provides student-banking services and facilitates payments to students. Based on the nature of the refund and the student's status,¹¹ a refund check can be issued by the College directly to the student, or funds can be electronically transferred from the College to the third-party administrator and then to the student. College refund checks that are generated for reasons other than financial aid require the approval of the assistant Bursar, Bursar, Assistant Comptroller and Comptroller before a check is issued.

¹¹ The student's status (matriculated or nonmatriculated) may have an impact on whether they have a relationship with the third-party administrator. If there is no relationship with the third-party administrator, then the College issues a check directly to the student.

The third-party administrator issued 30,379 student refunds totaling \$28.67 million during our audit period. The average refund was \$944. Additionally, the College issued 2,738 refund checks totaling \$1.13 million during our audit period. The average refund disbursed by the College was \$414. These refund checks were primarily issued to students, students' parents, third-party sponsors and the U.S. Department of Veterans Affairs. For the most part, a refund was generated when the amount of collections (i.e., scholarships, grants, loans or payments) for a student exceeded the amount that the student was billed.

All refunds, whether disbursed through the third-party administrator or directly by the College, are generated by the Bursar's Office and scanned by the Accounts Payable Department and the Comptroller prior to payment. While each payment is not scrutinized, unusual or suspicious balances are investigated to ensure appropriateness and accuracy.

We reviewed a judgmental sample of 25 student refunds¹² totaling \$145,545 issued during our audit period and found that the amounts were accurate and supported by a student account. Twenty checks were disbursed through the third-party administrator and five were dispersed directly by the College.

We commend the College for establishing an adequate system of internal controls over the processing of refund checks.

Recommendations

The Board of Trustees should:

1. Ensure that the IT department preserves all sequentially numbered receipts and other documents when conducting file maintenance procedures.
2. Regularly review the ERP system's audit trail and use other available internal controls provided by the system.

¹² We chose to review the 25 refunds based on dollar value.

APPENDIX A

RESPONSE FROM COLLEGE OFFICIALS

The College officials' response to this audit can be found on the following pages.



January 20, 2017

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

Dear Mr. Leonard:

Attached is the College's response to the findings noted in the audit entitled "Hudson Valley Community College Tuition and Fees Report of Examination" #2016M-348".

The recommendations in the draft report have already been implemented.

If you have any questions, please feel free to contact me.

Sincerely,

Joël Fatato
VP for Finance
Hudson Valley Community College

att.

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Hudson Valley Community College

Tuition and Fees Report of Examination #2016M-348

1. Ensure that the IT department preserves all sequentially numbered receipts and other documents when conducting file maintenance procedures.
 - *The College concurs with the recommendation.*

2. Regularly review the ERP system's audit trail and use other available internal controls provide by the system.
 - *The College concurs with the recommendation.*

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective and obtain valid evidence, our procedures included the following:

- We interviewed College officials and Bursar's Office employees, and reviewed policies and various financial records and reports related to the Bursar's Office financial operations, to gain an understanding of internal controls over the billing, collection, refunding and recording of student accounts and any associated effects of deficiencies in those controls.
- We reviewed 40 accounts to determine whether billing rates agreed with the Board-established rate schedules, billings were accurately recorded in the students' accounts and that collections and adjustments were supported and accurately recorded in the students' accounts.
- We reviewed bank statements to determine whether collections were accurately recorded in student accounts and deposited.
- We reviewed adjustments made to students' accounts to determine whether they were approved by an individual who was independent of the Bursar's Office before they were made and whether they were for appropriate purposes.
- We reviewed a judgmental sample of 25 student refund checks to determine whether they were approved by an individual who was independent of the Bursar's Office and were for appropriate amounts. We chose to review these 25 refunds based on dollar value.
- We interviewed College officials and employees, reviewed user access reports for the ERP system and physically inspected employees' computer screens to determine which employees had access to the ERP accounts payable module, employees' access rights and whether the employees had access to functions that were not required for them to fulfill their day-to-day job duties. We also physically inspected and observed transactions in the ERP system.
- We reviewed the population of sequentially numbered receipts generated during our audit period to determine whether all receipts could be accounted for and whether deleted receipts were for appropriate purposes.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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