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November 28, 2016

The Honorable Thomas P. DiNapoli
Comptroller of the State of New York
Office of the State Comptroller
110 State Street
Albany, NY 12236

RECEIVED
EXECUTIVE CORRESPONDENCE

DEC 02 2016

OFFICE OF THE STATE COMPTROLLER
THOMAS P. DINAPOLI
COMPTROLLER

Re: BMCC: Controls Over Bank Accounts
Report# 2015-S-93

Dear Comptroller DiNapoli:

In accordance with New York State Executive Law Section 170, the City University of New York hereby submits on behalf of BMCC its 90-day report on the implementation of the corrective action recommendations made in Comptroller's audit report 2015-S-93 – Borough of Manhattan Community College: Controls Over Bank Accounts. We appreciate the opportunity to respond to recommendations of the auditors:

Recommendation 1. Fully comply with prescribed procedures for opening new bank accounts and the monitoring of the existing accounts. Develop and implement additional policies and procedures to administer bank accounts, as warranted.

BMCC and its related entities currently are in full compliance with CUNY's Cash Management and Banking Policy. As stated in the final draft report, CUNY did not have the formal approval request for the BMCC Administrative Income checking account because it was merely a spin-off the investment account, initiated by Morgan Stanley as a result of discontinuing the checking privileges on the investment account. There were no specific communication from BMCC to CUNY regarding this change in services. However, the balances on this checking account were always reported to CUNY as part of mid-year and year-end financial reporting. Therefore, BMCC provided to CUNY a full disclosure about the funds held on this account.

It was further stated in the report that test of completeness of CUNY Central's list of bank accounts identified two accounts of BMCC Foundation, which were not on the list. As we stated in our previous response, these accounts were opened prior to the effective date of CUNY's policy requiring to request the approval for opening the new bank accounts. However, BMCC did not withhold information about BMCC Foundation's bank accounts from CUNY. The copies of audited Financial Statements of BMCC Foundation were provided to CUNY at the end of every

fiscal year, where the components of assets on the Balance Sheets are fully disclosed. Furthermore, starting from FY13-14 the General Ledger balances of the BMCC Foundation were input in CUNYfirst – the University’s financial system of record. Therefore, even though two bank accounts of the BMCC Foundation were not on CUNY’s list provided to NYS auditors, CUNY was fully aware of existence of these accounts.

Since the end of the audit fieldwork and following the auditor’s recommendations, BMCC closed two MEOC bank accounts at J.P. Morgan Chase, which were under the MEOC tax identification number, and replaced them with two new accounts at Citibank, opened under the BMCC tax identification number. The required approval forms had been submitted to University Treasury in both instances.

To further improve controls over banking operations, the college implemented positive pay and remote check deposit on MEOC accounts. The positive pay system was previously implemented for Tuition and BMCC Foundation accounts and successfully prevented the cashing of fraudulent checks.

BMCC follows all CUNY and New York City policies regarding the management of cash and investments, and banking relationships. All checks issued on BMCC and related entity accounts (except for the BMCC Association) are presented to the Business Office for review of the appropriateness of expenses and sufficiency of supporting documentation. Checks of \$2,500 or more require two signatures – a more stringent control than CUNY’s policy of checks of \$5,000 or more. The list of authorized signatories is regularly updated to reflect changes in staffing. The online account user list is regularly audited and the entitlements of users are adjusted as necessary to reflect the functions assigned to respective employees.

All accounting personnel are made aware of CUNY’s Cash Management and Banking Policy. The training sessions annually offered by Citibank are well attended and materials provided at the training are disseminated to all accounting personnel.

Recommendation 2. Ensure that funds that should be transmitted to the State and City are sent to them timely.

In the process of reviewing two transfers from MEOC to BMCC for administrative and security guard services, OSC determined that BMCC/CUNY paid \$120,116 that should have been paid by the MEOC. MEOC returned the money to BMCC. Following the auditor’s directions, BMCC remitted the funds to NYC, which provided the funds to CUNY in the first instance, in order to replenish the college’s tax-levy budget. BMCC will continue following this process of remitting to NYC all reimbursements for security guard and administrative services received from MEOC.

During the review of the MEOC account, OSC noted that this account balance as of June 30, 2015 exceeded the unexpended funds for that fiscal year of \$281,330 by \$327,566. Unexpended funds are always deducted by SUNY from the following fiscal year allocation to MEOC. Therefore, BMCC requested that CUNY reconcile the amounts retained by CUNY Central for funding the personnel costs with actual expenditures. At the completion of this reconciliation process the

University Budget Office identified unfunded personnel services costs in FY2013 and directed BMCC to transfer \$327,566 to CUNY's account, which was done.

Recommendation 3. Strengthen the control environment to ensure that funds are being appropriately disbursed from bank accounts by:

- **Reinforcing with staff the importance of adhering to New York State, City and CUNY requirements; and**
- **Training Finance and Administration employees on the appropriate policies and procedures related to bank accounts and banking operations.**

Since the audit, BMCC reiterated with the finance and accounting personnel of its related entities the importance of adhering to New York State, New York City and CUNY cash management and procurement requirements.

Based on a NYS audit the financial operations at the MEOC, the MEOC underwent a substantial reorganization:

- All bank accounts under the MEOC tax ID number were closed, and payments made by the MEOC are funded from the BMCC account directly.
- All disbursements are reviewed and approved by the BMCC Controller and signed by AVP for Finance.
- The BMCC Purchasing department provided a comprehensive training to MEOC administrative and finance staff and continues overseeing the procurement for MEOC to ensure full compliance with New York State, New York City and CUNY policies and procedures.

The internal controls were strengthened in the BMCC Child Care Center:

- The Center revised its policies and procedure manual for fiscal operations.
- The Director no longer approves payment requests for her own business travel; this function is assigned to another staff member.
- The annual audit and tax preparation services for FY15-16 have been awarded to C. Field and Company, Inc. based on the results of competitive bidding.
- The transitory nature of children's population at BMCC and the daily fluctuation of children's attendance coupled with the requirement for the Child and Adult Care Food Program (CACFP) to ensure that the Center serves a specific amount of food for each child scheduled to attend, make it difficult to order the quantity of meals exactly matching the number of children in attendance. Nevertheless, the Center implemented a system that closely matches the expected number of children to the quantity of meals ordered. A weekly billing is implemented, instead of monthly, which ensures a more frequent review.
- The Center intends to continue using the food services provider contracted by BMCC. Child and Adult Care Food Program, which provides funds for food, approved the BMCC Early Childhood Center's use of the College's food service vendor. This vendor was selected as a result of an RFP process conducted by the college. The Center does not have the staff and resources to conduct such RFP. Furthermore, the College effectively controls the ECC, which it founded. A majority of its board consists of College administrators, faculty and

students, and its Executive Director is a College employee. A substantial portion of the ECC's funding comes from student activity fees paid by College students and grant funds paid to the College that are allocated to the ECC for its operations in support of the College. The ECC would not exist or operate but for the College. Using this college's food vendor ensures the quality and safety of food and guarantees the price structure.

BMCC Association implemented changes in its procurement practices to ensure the adherence to NYS, NYC and CUNY requirements:

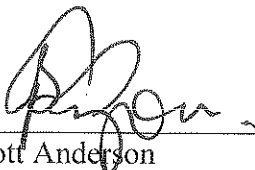
- The BMCC Purchasing department provided a comprehensive training to the staff of the Association on standard purchasing procedures and continues to review and advise on unusual and complex transactions.
- Proper documentation and the list of attendees are always required to support the requests for payments for meals provided at the students' events. The food vendor is required to issue only the itemized invoices.
- The Office of Student Activities is involved with ordering the services for events with large attendance to ensure that the best practices are used to estimate the expected attendance.
- The controls over credit card payments have been strengthened to ensure that all supporting documents are thoroughly reviewed. Payment confirmations and other documents including e-mail communications are attached to each voucher.

Summary statement

BMCC will continue to work on improvement of its internal controls over the banking operations and procurement process. We will continue to support and encourage additional training opportunities for the Finance and Administrative staff. Our core financial personnel will continue communications with other CUNY colleges in an effort to identify and implement best practices consistent with State, City and University requirements.

If you need further information or clarification on the responses above, please do not hesitate to contact me.

Very truly yours,



Scott Anderson
Borough of Manhattan Community College
VP for Administration and Finance

Cc: Chancellor James B. Milliken, The City University of New York
President Antonio Perez, Borough of Manhattan Community College
Hon. Andrew M. Cuomo, New York State Governor
Hon. John J. Flanagan, Temporary President and Majority Leader of the Senate

Hon. Hugh T. Farley, Vice President Pro Tempore, Senate
Hon. Andrea Stewart-Cousins, Minority Leader, NYS Senate
Hon. Carl E. Heastie, Speaker, NYS Assembly
Hon. Joseph D. Morelle, Majority Leader, NYS Assembly
Hon. Brian M. Kolb, Minority Leader, NYS Assembly
Hon. Catharine M. Young, Chair, NYS Senate Finance Committee
Hon. Liz Krueger, Ranking Minority Member, NYS Senate Finance Committee
Hon. Robert Oaks, Ranking Minority Member, NYS Assembly Ways and Means
Committee
Hon. Herman D. Farrell Jr., Chair, NYS Assembly Ways and Means Committee
Ms. Carmen Maldonado, Audit Director, Office of the State Comptroller