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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 22, 2010

Dr. Nancy L. Zimpher
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Re: Report 2010-F-2

Dear Chancellor Zimpher:

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 (SUNY) to implement the recommendations contained in our audit report, *Equipment Controls and Compliance with Reporting Requirements* (Report 2008-S-46).

Background, Scope and Objective

SUNY consists of 64 autonomous campuses (29 State-operated colleges, 5 statutory colleges affiliated with private universities, and 30 community colleges) located throughout the State, and a central administrative office located in Albany (System Administration). SUNY's 34 State-operated and statutory campuses have about 60,000 equipment items (e.g., furniture, computers, DVD players) which cost approximately \$2.6 billion.

System Administration administers a system-wide Property Control System (PCS) for recording each item costing \$5,000 or more. PCS provides a means for uniform reporting and control of capital assets at all SUNY campuses. The fundamental purpose of PCS is to facilitate proper and timely reporting of equipment transactions and safeguard items against loss, theft or other misappropriation. Campuses are required to input equipment inventory information directly into PCS when the status of the item changes (e.g., when items are surplus, disposed of, or stolen).

System Administration's PCS Manual (Manual) outlines criteria for including property and equipment on PCS, as well as tagging, inventory and property disposal procedures and requirements. State-owned equipment valued below \$5,000 is not required to be entered into PCS, but should be

tagged with a campus identification decal. In addition, SUNY campuses are required to report a theft or loss of equipment in excess of \$1,000 to the designated SUNY authorities and the Office of the State Comptroller.

Our initial audit report, which was issued on January 16, 2009, determined whether selected SUNY campuses had established adequate controls over equipment items and whether they were reporting lost or missing equipment items, as required by law. The campuses were Buffalo State College (Buffalo), Delhi College (Delhi), Old Westbury College (Old Westbury), University at Stony Brook (Stony Brook) and the Upstate Medical University at Syracuse (Syracuse). We found that the equipment inventory controls at the campuses we visited were generally adequate, to the extent we were able to account for nearly all of the equipment items we selected for verification. We recommended certain other improvements to equipment inventory controls. Specifically, Old Westbury, Delhi and Buffalo should initiate efforts to perform annual physical inventories of equipment. We also determined that physical inventories at certain campuses were performed by staff that had custody over the equipment tested. Because the physical inventories were not performed by independent personnel, management could place only limited reliance on them. In addition, we determined that several campuses needed to develop and implement policies to ensure that campus identification decals were placed on pieces of equipment that require them. We also determined that the campuses did not always update the PCS timely, and consequently, the PCS included pieces of equipment that had been lost or surplused several years ago. We also found that only two of SUNY's 34 State-operated and statutory college campuses had submitted all of the required lost or stolen property reports. Another 15 campuses submitted some of the required reports. The objective of our follow-up was to assess the extent of implementation as of February 25, 2010, of the seven recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that SUNY officials have implemented the seven prior audit recommendations.

Follow-up Observations

Recommendation 1

Advise all campuses to comply with the requirement for an annual equipment inventory as prescribed by the Manual.

Status - Implemented

Agency Action - On January 15, 2009, SUNY officials sent all campus business officers, property control coordinators and accounting officers a memo advising them of the requirement to take a complete physical inventory and reconcile the results with the inventory records at least once every two years. In addition, in January 2009, SUNY officials revised the PCS manual to reflect the change from an annual inventory cycle, which was in effect during our audit, to two year inventory cycles. SUNY officials stated that they made the inventory cycle change to be consistent with federal standards.

Recommendation 2

Formally remind the campuses to update the PCS timely to accurately reflect the status of equipment listed on the system. Particular attention should be given to equipment that is surplus or is moved permanently to another location on the campus.

Status - Implemented

Agency Action - In the January 15, 2009 memo, SUNY officials formally reminded all of the campus business officers, property control coordinators and accounting officers to update the PCS timely to accurately reflect the status of equipment listed on the system. The memo also advised that assets determined to be unaccountable should be retired from the PCS after proper campus procedural authorization.

Recommendation 3

Formally remind campuses of the requirement that equipment must be tagged with a campus identification decal.

Status - Implemented

Agency Action - In the January 15, 2009 memo, SUNY officials formally reminded all of the campus business officers, property control coordinators and accounting officers of the PCS manual requirement that equipment must be tagged with a campus identification decal. The memo further stated that for State-owned equipment with an original cost of \$5,000 or greater, campuses must assign sequentially numbered inventory decals. For state-owned equipment below the \$5,000 SUNY capitalization threshold, campuses must assign a campus identification decal.

Recommendation 4

Verify that all campuses have written tagging procedures that are consistent with the requirements of the Manual.

Status - Implemented

Agency Action - The University Auditor's Office (Office) reviews property control in its campus financial management practices audits. One of the audit steps is to verify that the campus had written procedures for tagging equipment. In the last two years the Office has audited three campuses' financial management practices and found each campus to have such procedures in place. Also, since our original audit, SUNY officials have revised their internal control campus property control checklist to include questions about compliance with Manual tagging requirements. For the fiscal year ending March 31, 2010, SUNY will request campuses that tested property control during the year to provide a copy of the checklist and/or other documentation to verify these campuses have written tagging procedures as part of the internal control certification process. If a campus's checklist indicates that that such

procedures are not in place, SUNY Controller's Office staff will notify campus officials of the need to comply with this requirement. The remaining SUNY campuses will submit the revised property control checklists in the next two years, as SUNY campuses are on a three-year reporting cycle.

Recommendation 5

Formally request the campuses to periodically spot-check selected equipment items under \$5,000 to verify their existence and condition.

Status - Implemented

Agency Action - In the January 15, 2009 memo, SUNY officials formally advised all of the campus business officers, property control coordinators and accounting officers that campuses should have a written policy for tagging equipment items under \$5,000 either by using a set dollar threshold or by listing specific higher risk items under \$5,000 that should be tagged. The memo further advised that campuses should periodically spot-check selected equipment items under \$5,000 to verify their existence and condition.

Recommendation 6

Assess the viability of information technology, such as barcodes and optical scanners, to improve the efficiency and effectiveness of equipment inventory control efforts. As appropriate, advise the campuses of the potential use and benefit of such technologies, and provide technical assistance as requested.

Status - Implemented

Agency Action - SUNY officials have begun planning a new fixed asset project designed to, among other things, replace the existing PCS application with a web-based application. The project includes a provision for campuses to use technology for inventory purposes. It is up to each campus to decide the level of technology (i.e. bar code scanning, radio frequency identification, etc.) to use based on campus officials' assessment of their budget and campus size. The project is pending approval of funding.

Recommendation 7

Formally remind the campuses to comply with the Manual's requirements for reporting lost and stolen property.

Status - Implemented

Agency Action - In the January 15, 2009 memo, SUNY officials formally reminded all of the campus business officers, property control coordinators and accounting officers that campuses are required to report the theft, loss or misuse of State assets in excess of \$1,000 (original cost) to the Office of the State Comptroller and the SUNY University Controller's

Office on a quarterly basis. This reporting requirement has also been included in the January 2009 update to the PCS manual.

Major contributors to this report were Karen Bogucki and Donald Collins.

We thank the management and staff of SUNY for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Edward J. Durocher, CIA
Audit Manager

cc. Mr. Michael Abbott, State University of New York
Mr. Thomas Lukacs, Division of the Budget