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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 29, 2017

Mr. James B. Milliken
Chancellor
City University of New York
205 East 42nd Street
New York, NY 10004

Re: Medgar Evers College: Controls Over
Bank Accounts
Report 2017-F-14

Dear Chancellor Milliken:

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 the actions taken by the officials of Medgar Evers College (MEC) of the City University of New York (CUNY) to implement the recommendations contained in our audit report, *Medgar Evers College: Controls Over Bank Accounts* (Report 2015-S-92).

Background, Scope, and Objective

CUNY is the largest urban university in the United States, consisting of 24 institutions. CUNY provides education for more than 269,000 degree-credit students and 247,000 adult, continuing, and professional education students. MEC is the newest of 11 senior colleges within CUNY. MEC's mission is to develop and maintain high quality, professional, career-oriented undergraduate degree programs. The college is named after the civil rights leader Medgar Evers. It has approximately 6,900 students as of the fall 2017 semester and is located in Brooklyn, New York.

MEC maintains bank accounts for various purposes to fulfill its mission. These include the Educational Foundation Account for the collection of donations; the Student Faculty Association Account for the collection of Student Activity Fees; and the Ella Baker/Charles Romain Child Development Center Account for the costs related to the care of the children of MEC students. As of October 6, 2017, MEC maintained 13 active accounts with a total balance of \$3.6 million. CUNY's Cash Management and Banking Policy (Policy), effective July 1, 2008, requires the University Comptroller (UC) and the Vice President of Finance and Administration at each college to ensure that each bank account complies with the university's policies and procedures. Prior to establishing any new bank account, the policy requires colleges to notify the UC by completing a

“Bank Account Notification Form.” The Office of the UC notifies the college within five business days of the receipt of the form as to whether there are any concerns with establishing the new account. If not contacted within this time frame, the college can proceed. As of October 12, 2017, CUNY Central reported 484 bank accounts for the 24 CUNY institutions, including 14 active accounts at MEC. Our prior audit found that all 14 accounts were opened after CUNY’s bank authorization policy was established in 2008. However, CUNY Central did not have any of the required notification forms for these accounts. Additionally, our inquiry of banks located in the proximity of the college found an additional two accounts that were not on the list. These findings point to weaknesses in the monitoring of bank accounts, which increase the risk that MEC personnel could conduct transactions using unauthorized accounts.

Our audit also found that of 54 payments (totaling \$810,608) paid from six judgmentally selected bank accounts, 26 payments totaling \$118,782 were either improper (did not comply with CUNY and/or State and City policies and procedures) and/or were unsupported. In some transactions, funds were not used for their intended purposes.

We issued our initial audit report on June 3, 2016. The objective of our follow-up review was to assess the extent of implementation, as of October 31, 2017, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found MEC officials made progress in addressing the issues identified in our initial report. Of the two prior audit recommendations, both were partially implemented.

Follow-Up Observations

Recommendation 1

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

Status – Partially Implemented

Agency Action – MEC appointed an employee to maintain records of the opening and/or closing of bank accounts. This employee works with CUNY’s Cash Management Office to ensure that CUNY Central receives the required notification form prior to the opening and/or closing of all bank accounts.

MEC provided a copy of its “Accounting Policies and Procedures Manual” and a “Related Entities Policies & Procedures Manual,” which are intended to serve as reference guides for the execution of cash management and banking-related functions; however, these manuals are not dated. Furthermore, the 90-day response to our initial report stated that MEC initiated a process to develop a web-based version of each manual to promote

transparency and efficiency within each of its accounting and cash management functions, but MEC officials could not document that they had implemented these additional policies and procedures.

We also noted that, similar to our initial audit, the bank accounts on CUNY Central's listing did not reconcile with the accounts reported by MEC. CUNY Central's listing of bank accounts did not include three MEC foundation accounts, while MEC's list did not contain two accounts that did not contain any funds, but were still open.

Recommendation 2

Strengthen the control environment to assure that funds are 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.*

Status – Partially Implemented

Agency Action – MEC provided documentation that employees from the various Finance and Administration offices attended training covering various areas such as budgeting, purchasing, and reporting revenues on October 13 and 14, 2016. However, the training did not address policies and procedures related to bank accounts and banking operations requirements. Nonetheless, our testing of a judgmental sample of 15 items totaling \$198,710 (from the cash disbursement accounts totaling \$922,009) for the period of June 1, 2016 to September 12, 2017 found limited exceptions.

Major contributors to this report were Abe Fish, Christine Chu, and Joan Williams.

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

Very truly yours,

Carmen Maldonado
Audit Director

cc: Gordon Taylor
Division of the Budget