

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 21, 2017

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

Re: Lehman College: Controls Over Bank
Accounts
Report 2017-F-18

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 on the actions taken by officials of Lehman College (Lehman) of the City University of New York (CUNY) to implement the recommendations contained in our audit report, *Lehman College: Controls Over Bank Accounts* (2014-S-69).

Background, Scope, and Objective

CUNY is the largest urban university in the United States, consisting of 24 constituent institutions. CUNY provides education for more than 272,000 degree-credit students and 247,000 adult and continuing and professional education students. Lehman, located in the Bronx, New York, is one of CUNY's 11 senior colleges, and has more than 13,000 undergraduate and graduate students. Lehman maintains bank accounts for various purposes, such as tuition and fees. As of October 11, 2017, CUNY Central reported 484 bank accounts for the 24 CUNY institutions, including 22 active accounts at Lehman. As of November 30, 2017, Lehman reported a bank balance of \$4.87 million.

Our prior audit found two accounts that were not on CUNY Central's list which Lehman opened prior to the implementation of the current policy. In addition, of the 72 payments reviewed (totaling \$1,248,139) from five judgmentally selected bank accounts, 25 payments totaling \$114,554 were either improper (did not comply with CUNY and/or State and City policies and procedures) and/or were unsupported.

We issued our initial audit report on April 21, 2016. The objective of our follow-up review was to assess the extent of implementation, as of December 4, 2017, of the four audit recommendations in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Lehman officials made progress in addressing the issues identified in our initial report. Of the four recommendations, two were implemented and two were partially implemented.

Follow-Up Observations

Recommendation 1

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

Status - Partially Implemented

Agency Action - Lehman officials prepared a list of 12 actions taken to implement our audit recommendation as part of their 90-day response to the initial audit. Although they provided information that several meetings on the recommendation were held, they did not provide additional supporting documentation, such as meeting minutes and agendas, so that auditors could determine what specifically was done. For instance, they provided calendar invitations and emails for a staff meeting held on August 3, 2017, regarding a cash management policy and an audit corrective action plan, but there was no documentation provided, such as minutes or agendas, to determine what was discussed. Since our prior review, Lehman did not open any new accounts. However, we noted that CUNY Central's list of bank accounts did not include one checking account that was on Lehman's list (LC Center for Performing Arts for deposits and withdrawals).

Recommendation 2

Transmit all funds due to the State Treasury on a timely basis.

Status - Implemented

Agency Action - In Lehman's 90-day response to our initial audit, it stated that it conducts quarterly reviews of the Agency Account to identify deposits for timely transfers to the State. We randomly selected five deposits to the Agency Account and determined they were transmitted to the New York State Department of Taxation and Finance within one month of receipt.

Recommendation 3

Strengthen internal controls to assure that all funds are properly deposited and disbursed from Lehman bank accounts by:

- *Adhering to New York State, City and CUNY requirements;*
- *Training Finance and Administration employees on the appropriate policies and procedures related to bank accounts and banking operations.*

Status - Partially Implemented

Agency Action - CUNY's 90-day response to the initial report listed 15 activities that would close any compliance gaps with New York State, City, and CUNY requirements. Lehman officials provided documents to support several of the activities, such as email invitations to Finance and Administration employees for meetings on policies and procedures related to bank accounts and banking operations, and emails reaching out to other colleges to share resources and obtain best practices. They also demonstrated more frequent communications distributed to the entire college community reminding them of the various regulations that must be followed for travel. Lehman's new Controller attended training, but there was no information to support how this resulted in the training and development of the staff. Moreover, our review of the training documents provided determined that the information did not adequately document training of Finance and Administration employees on policies and procedures related to bank accounts and banking operations.

Recommendation 4

Effectively separate the duties related to the administration of bank accounts, so that no one person has control over incompatible functions. Where duties cannot be adequately separated, develop and implement appropriate compensating controls.

Status - Implemented

Agency Action - We selected a sample of five payments related to purchases during 2015, 2016, and 2017 to determine if the requests and authorizations for the payments were adequately separated. We found that the activities related to the request, authorization, and payment approvals were separated so that no one person had control over the entire process.

Major contributors to this report were Abe Fish, Christine Chu, and Robert Tabi.

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 CUNY and Lehman for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Carmen Maldonado
Audit Director

cc: Gordon Taylor, CUNY
Division of the Budget