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**New York State Office of the State Comptroller**  
Thomas P. DiNapoli

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Division of State Government Accountability

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# **Medgar Evers College: Controls Over Bank Accounts**

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## **City University of New York**

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Report 2015-S-92

June 2016

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# Executive Summary

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## Purpose

To determine whether the City University of New York's (CUNY) Central Office (Central) officials adequately assured that all Medgar Evers College (MEC) bank accounts were authorized and used only for appropriate purposes and transactions. The audit covers MEC bank accounts for the period of January 1, 2013 through March 4, 2015.

## Background

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 has approximately 6,700 students and is located in Brooklyn, New York. CUNY reported 567 bank accounts, including 24 at MEC that were active or closed during the period January 1, 2013 through March 4, 2015. As of July 31, 2015, MEC had 17 active accounts with a total balance of \$1.02 million.

CUNY's Cash Management and Banking Policy (Policy), effective July 1, 2008, requires the University Controller (UC) and the Vice President of Finance and Administration at each college to ensure that each bank account complies with University 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 with the account.

## Key Findings

- CUNY Central officials provided us with a list of 24 bank accounts that they were aware of at MEC. Fourteen 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 to banks located in the proximity of the college found an additional two accounts ("Medgar Evers College" and "Student Gov't Assoc. Medgar Evers College") 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.
- 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. For example, two payments (in August and September 2013) totaling \$32,421 were used to furnish the President's residence, which is owned by CUNY. To pay for these purchases, tax levy funds were transferred into the account used to pay for them, including \$50,000 from CUNY Central intended for the Child Care Center and \$40,000 from CUNY auxiliary and student fees. These funds were not used for their intended purposes.

## Key Recommendations

- 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.
- 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.

## Other Related Audits/Reports of Interest

[CUNY SPS: Controls Over Bank Accounts \(2014-S-78\)](#)

[CUNY Lehman College: Controls Over Bank Accounts \(2014-S-69\)](#)

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**State of New York**  
**Office of the State Comptroller**

**Division of State Government Accountability**

June 3, 2016

James B. Milliken  
Chancellor  
City University of New York  
205 East 42nd Street  
New York, NY 10017

Dear Chancellor Milliken:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Medgar Evers College: Controls Over Bank Accounts*. This audit was performed 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.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller*  
*Division of State Government Accountability*

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This report is also available on our website at: [www.osc.state.ny.us](http://www.osc.state.ny.us)

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## Background

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The City University of New York (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. Medgar Evers College (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 in the context of liberal education. The college is named after the civil rights leader Medgar Evers. It has approximately 6,700 students and is located in Brooklyn, New York.

MEC maintains bank accounts for various purposes such as the Gifts and Grants Account, which is used to collect donations, the Student Faculty Association Account to receive student activity fees that can be used for approved events and purchases for students, and the Child Care Center Account for costs related to the care of the children of MEC students. CUNY reported there were 567 bank accounts, including 24 at MEC, which were active or closed during the period January 1, 2013 through March 4, 2015. As of July 31, 2015, MEC had 17 active accounts with a total balance of \$1.02 million.

CUNY's Cash Management and Banking Policy (Policy), effective July 1, 2008, requires that the University Controller (UC) and the Vice President of Finance and Administration (VP) at each college assign a responsible official to ensure that each bank account complies with University 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," which is signed by the VP. All requests for banking services must be justified by the college. 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 establishment of the new account. If not contacted within this time frame, the college can proceed in establishing the new account. The Policy also specifies the types of expenditures that are prohibited. Examples of these expenditures include out-of-town travel advances and travel expense reimbursements.

CUNY also has policies, procedures, and guidelines that impact banking activities and are directly related to the specific types of funds deposited into each bank account and/or if the bank account is established as an incorporated related entity. There are three classifications of bank accounts:

- **Tax Levy Accounts.** These accounts consist of taxpayer dollars, such as monies collected for tuition and fees. Purchases paid with tax levy funds must follow CUNY, State, and/or City procurement guidelines, such as: determining if purchases can be made from preferred source vendors, obtaining bids for purchases of \$5,000 or higher, and ensuring advertisement for contracts over \$20,000. All purchases made with tax levy dollars should be processed through the University's purchasing departments.
- **Non-Tax Levy Accounts.** These accounts consist of funds (also known as "soft monies") that are not derived by tax levy appropriations or student fees. Purchases paid with non-tax levy funds are not governed by State procurement laws; however, pursuant to CUNY policies and guidelines, sound procurement practices must be followed. If a contract is

partially funded with New York State funds or expected to convert (in full or in part) to New York State funding, then full compliance with State procurement and CUNY procurement guidelines are required from the onset. Also, a CUNY memorandum dated May 3, 1995 states that college presidents are authorized to approve the expenditure of non-tax levy funds and they are responsible for applying the standards prescribed by the Public Officers Law (Section 74), and that such expenditures are reasonable, appropriate, and provide a commensurate benefit to the college and University community.

- **Related Entity Accounts.** Related entity accounts can consist of both tax levy and non-tax levy dollars, depending upon the related entity's source of funding and its overall mission. For example, student fees are the primary source of funding for the Student Association's related entities accounts. Thus, according to The City University Fiscal Handbook for the Control and Accountability of Student Activities Fees, all purchases made with student fees must follow State Laws. In addition, whether the Association or the college purchasing department processes a transaction, the University's purchasing regulations must be followed and the appropriate documentation and internal control requirements must be satisfied. This includes purchasing from a sole source with justification and obtaining formal competitive bids and formal contracts for purchases over \$20,000.

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## Audit Findings and Recommendations

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The audit identified multiple internal control weaknesses that CUNY and MEC officials need to improve related to the use of bank accounts. These weaknesses impacted various aspects of the banking process, from opening and properly authorizing accounts to making deposits to and disbursements from such accounts. For example, MEC did not comply with the policy to notify CUNY Central when opening new bank accounts. In addition, funds were used for improper purposes, including those not consistent with the intent of the accounts. The weaknesses also increased the risk to CUNY and MEC of fraud, waste, and/or abuse.

### Bank Account Authorization and Completeness of Account Lists

As noted previously, CUNY colleges are required to notify CUNY Central when opening and closing bank accounts. This policy was effective as of July 1, 2008. Prior to that date, no formal policy for bank accounts existed. Of the 24 bank accounts CUNY Central identified at MEC, ten were opened before the policy's effective date. However, for the remaining 14 bank accounts, CUNY Central did not have any of the required notification forms. There is, therefore, no assurance that CUNY Central officials were notified of these accounts.

To test the completeness of CUNY Central's list, we sent confirmation letters to banks located in the proximity of MEC. Based on the responses, we identified two additional accounts ("Medgar Evers College" and "Student Gov't Assoc. Medgar Evers College") that were not on the list from CUNY's Central Office. Weaknesses in the controls over authorization of bank accounts, coupled with the lack of assurance regarding the completeness of CUNY Central's account list, increase the risk that College personnel could use unauthorized accounts and be undetected by CUNY.

### Propriety of Bank Account Activities

We reviewed a judgmental sample of 54 transactions totaling \$810,608 from six judgmentally selected accounts to determine if funds were used appropriately. We found 26 payments totaling \$118,782 (excluding payroll exceptions) that were not in compliance with applicable State and CUNY purchasing policies and/or were unsupported, as summarized in the following table.



Account	Number of payments reviewed	Number of exceptions	\$ Amount Reviewed	Exception \$ Amount
Gifts and Grants	13	9	\$114,628	\$70,215
Ella Baker Child Care Center	10	8*	108,656	*
Imprest Fund	2	2	2,800	2,800
Student Faculty Association	10	7	79,730	45,767
Depository	13	0	69,648	0
Reimbursement	6	0	435,146	0
<b>Totals</b>	<b>54</b>	<b>26</b>	<b>\$810,608</b>	<b>\$118,782</b>

\*Payroll exceptions were discussed with MEC officials, who were reviewing the issue at time of our audit fieldwork, and consequently, actual amounts of overpayments had yet to be determined. The matter is to be addressed by MEC officials and fully resolved.

The following are examples of improper payments from several of the accounts we reviewed.

The Gifts and Grants Account was originally established to receive private donations. According to CUNY guidelines, these non-tax levy funds are to be used in support of educational, social, and cultural events and programs of the College.

- Two disbursements (in August and September 2013) totaling \$32,421 were used to furnish the President's residence, which is owned by CUNY. The items purchased included a sofa set for \$7,753, window treatments for \$5,839, three leather counter stools totaling \$1,944, a leather recliner for \$1,800, a media cabinet for \$1,342, and a coffee table for \$909. Prior to these purchases, this account had a deficit balance. However, to pay for these purchases, tax levy funds were transferred into the account, including \$50,000 from CUNY Central that was intended for Head Start and the Child Care Center and \$40,000 from CUNY auxiliary and student fees. As such, the transferred funds were not used for their intended purposes.
- Two disbursements (in December 2013 and March 2014) in the amounts of \$1,507 and \$581, respectively, were for electronic equipment and cable bills for the President's residence. These purchases were made on an MEC Corporate credit card, but appeared to be personal in nature.

The Ella Baker Child Care Center Account was created to pay expenses related to the care of the children of MEC students.

- For the pay period October 5, 2014 through October 18, 2014, the timesheet for an official, who was responsible for submitting MEC's payroll, was approved for 75 hours. However, according to an MEC payroll report, the individual was compensated for 90 hours (75 regular hours and 15 hours classified as "unscheduled time"). There were two additional pay periods where this official was compensated for more hours than her approved

timesheet. In response to our preliminary observation, MEC officials stated that they have taken appropriate measures to prevent future occurrences of this problem, and they will try to recover the overpayments.

The Student Faculty Association Account was established to receive student activity fees that can be used for approved student events and affairs.

- A disbursement on February 13, 2014, in the amount of \$4,125, was purportedly used for meal per diems for 35 students during a weekend conference. The supporting documentation in the invoice package, however, indicated that the monies were used to cover lodging costs for the conference, but it did not support the dollar amount paid for meals.
- A disbursement on July 21, 2014, in the amount of \$4,500, was purportedly used for an MEC Education Foundation study abroad scholarship. However, the supporting documentation, showed the money was actually spent for the Medgar Evers College Society for Public Administrators' first Annual Fund Raising Gala on February 7, 2014. Further, there was no supporting documentation that detailed how these monies were spent.

Overall, given the number of payments wherein MEC did not follow CUNY, State, or City procedures and guidelines, we concluded that MEC officials need to significantly improve the controls over the administration of the various funds deposited into MEC bank accounts. These improvements include full compliance with the aforementioned CUNY and State policies and procedures governing the administration and use of such funds.

In response to our preliminary findings, MEC officials generally agreed with them and stated that all future acquisitions and/or provisions of services will be directed to the College Purchasing Office.

## Recommendations

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.
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.

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## Audit Scope and Methodology

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The objective of this audit was to determine whether CUNY Central officials adequately assured that all of MEC's bank accounts were authorized and used only for appropriate purposes and transactions. The audit covers the period of January 1, 2013 through March 4, 2015.

To accomplish our objective, we interviewed MEC officials to obtain an understanding of their internal controls related to banking operations, and of their policies and procedures. We reviewed pertinent sections of State procurement policies and CUNY guidelines. We examined supporting documentation, procurement files, and disbursements made from bank accounts. We also canvassed 20 banks located near MEC to determine whether there were any accounts that were not disclosed by CUNY Central.

Further, we reviewed a judgmental sample of 54 transactions totaling \$810,608 from six bank accounts to determine whether the funds were used appropriately. The transactions were selected based on high dollar amounts or unusual descriptions.

We conducted our performance audit in accordance with generally accepted government auditing standards. 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members (some of whom have minority voting rights) to certain boards, commissions, and public authorities. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

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## Authority

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This audit was performed 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.

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## Reporting Requirements

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We provided a draft copy of this report to CUNY officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of this final report. We did not include the documents provided with the response because they contain confidential information that should not be disclosed. In their response, MEC

officials acknowledged the deficiencies in the processes reviewed and agreed with our report's recommendations. They added that similar weaknesses were noted by their own reviews and corrective actions were taken. Our rejoinders to certain comments in CUNY's response are included in the report's State Comptroller's Comments.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the City University of New York shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

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## Contributors to This Report

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**Carmen Maldonado**, Audit Director

**Abe Fish**, Audit Manager

**Christine Chu**, Audit Supervisor

**Cheryl May**, Examiner-In-Charge

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## Division of State Government Accountability

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### Vision

A team of accountability experts respected for providing information that decision makers value.

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To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

# Agency Comments



Office of Administration and Finance



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Brooklyn, New York 11225  
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April 6, 2016

Ms. Carmen Maldonado  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
59 Maiden Lane—21<sup>st</sup> Floor  
New York, NY 10038

**RE: Response to OSC Draft Audit Report  
# 2015-S-92**

Dear Ms. Maldonado:

This memorandum serves as the College's written acknowledgement of the NYS OSC key audit findings and the associated responses to the findings.

### College Overview on Audit Findings

Medgar Evers College (MEC) acknowledges the deficiencies in the processes reviewed and agrees with a number of the auditors' findings for the bank account transactions. It is important to note that prior to the NYS OSC audit review the new Administration and Finance team at MEC identified some of the same internal control weaknesses noted by the auditors. To correct these weaknesses and effectively operate in compliance with the state's and CUNY's cash management regulations, MEC took drastic actions which included the restructuring of key areas, increased segregation of duties, and the restoration of fiscal accountability and stewardship in all levels of management. Additionally, written procedural and policy manuals were produced to effectively streamline internal processes and enforce adherence to required business practices. These manuals were introduced to support actions initiated, and written explanations in response to the findings were previously presented to NYS OSC auditors.

Listed below, in the order in which each key finding is presented, are MEC's responses:

### Bank Account Authorization and Completeness of Account Lists

MEC has completed a thorough review of the draft audit report and has concluded that of the 24 bank accounts CUNY Central identified as MEC accounts, 10 were opened prior to the creation of the CUNY-wide Cash Management Guidelines of July 1, 2008. For the remaining 14 bank accounts, there were subsequent changes to the accounts that had been mandated by the Central Office. Since the directives came from the Central Office, MEC was of the understanding that the bank account notification documents were not required.

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Comment  
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\*See State Comptroller's Comments, page 16

Additionally, MEC also conducted an independent investigation among neighborhood banking facilities and furnished responses received from JP Morgan Chase, Citibank and Carver Federal Savings that confirmed only the accounts the College has on record. The two accounts in question were closed and inactive. Nevertheless, to prevent future discrepancies, MEC will increase its efforts to ensure that the Central Office is notified of the opening and closing of all bank accounts.

**Propriety of Bank Account Activities**

MEC is committed to compliance with State and CUNY guidelines governing the provision of services and/or the acquisition of goods. To ensure enforcement, MEC has redirected all requests to procure goods and/or services to the Purchasing Office with the required signatory approvals and supporting documents. Additionally, MEC has closed the Gifts and Grants account and has transferred funds to the associated 501(c)(3) corporations.

**The Gifts and Grants Account**

MEC acknowledges the purchases of the furniture cited; however, MEC disagrees with the auditor’s claim that tax levy funds were used to pay for the furniture. The \$50,000 cited was in fact transferred from the Central Office and was used to cover the outstanding balance for the Head Start program and the Child Care Center’s deficit within the Gifts and Grants account. The funds used for the furniture was not tax-levy; such funds came from an unrestricted source.

\*  
Comment  
2

**The Ella Baker Child Care Center (The Center) Account**

MEC concurs with the auditors’ findings and has terminated the employee in question. MEC is currently pursuing reimbursement of the overpayment. Additionally, MEC has implemented the following actions to prevent reoccurrence of the irregularities cited: the reorganization of the Center’s staff reporting structure, the reassignment of the Center’s payroll functions to the Controller’s Office, and the reinforcement of signatory approval requirements.

**The Student Faculty Association (SFA) Account**

MEC acknowledges the auditors’ findings for the two SFA samples selected and submits as evidence the reason and supporting documents for cases cited:

For the disbursement of February 13, 2014, in the amount of \$4,125, cited as “purportedly used for meal per diems for 35 students during a weekend conference,” MEC affirms the referenced sum was issued to cover meals expenses for each student while they were in travelling status. As part of the documents presented, MEC included a copy of the itinerary and the invoice for the hotel accommodations as supporting documents to generate the check for the students’ per diem. Hotel accommodations for the students were paid for under a separate check (see copy of the check included) and not the referenced check issued for the per diem meals.

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Comment  
3

For the disbursement of July 21, 2014, in the amount of \$4,500, cited as “purportedly used for an MEC Educational Foundation Study Abroad Scholarship,” please note the relationship between the referenced accounts. The MEC Society of Public Administrators Club (MECSPA) is a sub-account within the Student Faculty Association (SFA) account while the MEC Educational Foundation Study Abroad

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Comment  
4

program is a sub-account within the MEC Educational Foundation account. SFA facilitated the Gala event cited on behalf of MECSPA. In adherence to MEC's internal practices, funds for the study abroad program were to be deposited in the MEC Educational Foundation account. For this reason, SFA issued the referenced check to the MEC Educational Foundation account for the study abroad program. MEC is including as evidence the copies of the checks issued from the MEC Educational Foundation made payable to the MEC study abroad program recipients (see the list of students and copies of checks provided).

#### College Declaration

In Conclusion, MEC has taken the auditor's recommendations quite seriously and is committed to the enforcement of each recommendation in its daily operations. Specifically, the College makes the following commitment:

- To remain vigilant in adherence to the prescribed procedures for opening new bank accounts and the monitoring of existing accounts.
- To develop additional policies and procedures to administer bank accounts.
- To Strengthen the control environment to assure that funds are appropriately disbursed from bank accounts by:
  - i. Re-enforcing the importance of adhering to New York State, City, and CUNY requirements; and
  - ii. Training Finance and Administration employees on the appropriate policies and procedures related to bank accounts and banking operations.

I wish to extend my thanks to the auditors for their professionalism and courtesy. If you should need additional information, please do not hesitate to contact me.

Very truly yours,



Jacqueline Clark  
Vice President of Finance and Administration

cc: President Rudolph F. Crew  
Senior Vice President and COO Jerald Posman



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## State Comptroller's Comments

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1. MEC contends that the directives to change the accounts came from CUNY Central, and therefore, the bank account notification documents were not required. However, MEC did not provide documentation to support its contention that CUNY Central ordered the changes.
2. We maintain that non-tax levy funds were used to pay for the furniture. MEC's Gifts and Grants account had a deficit balance, and three tax levy fund deposits were made to that account. Thereafter, payment was made from the Gifts and Grants account for the furniture. Further, at the time of our audit, there was no evidence of a deposit from an "unrestricted source" or Central Office to reimburse the Head Start program and Child Care Center for the transferred funds. Moreover, by commingling tax levy and non-tax levy funds in this account, the source of the funds used for disbursements from the account becomes unclear.
3. MEC still has not provided adequate support for the meals provided to students. An invoice for lodging and two checks are not sufficient evidence to show that student meals were in fact provided.
4. A disbursement on July 21, 2014, in the amount of \$4,500 was purportedly used for an MEC Education Foundation study abroad scholarship. However, the supporting documentation showed the money was actually spend for the Medgar Evers College Society for Public Administrators' first Annual Fund Raising Gala on February 7, 2014, and there was no supporting documentation that detailed how these moneys were spent. When we questioned this expense in our draft report, the college provided unsigned checks and letters to students advising them that they had received an award. However, the total amount of the awards was \$3,400 (not \$4,500), and there was no evidence that students actually received the funds. MEC, therefore, has not provided adequate support for this payment.