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ABSTRACT

This report presents audit findings of the financial management practices at the State University of New York (SUNY) Maritime College, which trains students to become licensed officers in the U.S. Merchant Marines. Specifically, the audit examined whether SUNY Maritime maintains an adequate internal control environment and adequate internal control procedures for on-campus employee housing, tuition and student fees, payroll and personnel functions, and equipment inventory. The audit found significant weaknesses in the College's control environment relating to employees' on-campus housing and the collection of tuition and student fees. These weaknesses included: approval, by the Vice President for Administration, of deviations from state and SUNY guidelines without satisfactory justification; significant shortfalls in the collection of rents from the paychecks of employees who lived in on-campus housing; failure to charge some employees who lived in student dormitories; inadequate collection of outstanding tuition and fees receivables; and inadequate documentation in the area of payroll. A response by SUNY Maritime and SUNY System administrators generally agrees with the audit's conclusions and indicates that many of the recommendations have been or will be implemented. (DB)

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# State of New York
# Office of the State Comptroller
# Division of Management Audit
# and State Financial Services

## STATE UNIVERSITY OF NEW YORK MARITIME COLLEGE

## SELECTED FINANCIAL MANAGEMENT PRACTICES

REPORT 98-S-26





STATE OF NEW YORK
COMPTROLLER
EXCELSIOR

*H. Carl McCall*

*Comptroller*

# State of New York
# Office of the State Comptroller

**Division of Management Audit and State Financial Services**

**Report 98-S-26**

Dr. John W. Ryan
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Dear Dr. Ryan:

The following is our audit report on selected financial management practices at the State University of New York Maritime College.

The 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. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller*
*Division of Management Audit*
*and State Financial Services*

May 27, 1999

# Executive Summary

# State University of New York Maritime College Selected Financial Management Practices

## Scope of Audit

One of five specialized colleges within the State University of New York (SUNY), Maritime College (Maritime or the College) awards associate's, bachêlor's and master's degrees in science and engineering. Located in the Bronx at Throgg's Neck on Long Island Sound, the College trains and educates its student body of nearly 800 to become licensed officers in the American merchant marine, featuring an annual "summer sea term" cruise on its training ship. During fiscal year 1997-98, Maritime employed a staff of approximately 320, with a payroll cost of $12.1 million.

Our audit addressed the following question about selected financial management practices at Maritime for the period of January 1, 1995 through October 31, 1998:

- Does SUNY Maritime maintain an adequate internal control environment and adequate internal control procedures for on-campus employee housing, tuition and student fees, payroll and personnel functions, and equipment inventory?

## Audit Observations and Conclusions

We found significant weaknesses in the College's control environment relating to employees' on-campus housing and the collection of tuition and student fees. The Vice President for Administration (VPA) exercises too much authority in these areas, and has approved deviations from State and SUNY guidelines without providing satisfactory justification. As a result, certain College employees and students have benefitted on a selective basis, the State has lost substantial housing revenues, and the College may lose substantial amounts of revenues due from students.

The College was not authorizing the deduction of the appropriate maintenance fee (rent) from the paychecks of employees who lived in on-campus housing that includes four single-family homes, four duplex houses, and three apartments. The amount of this shortfall was significant and the rent has remained unchanged for at least 15 years. Maritime classified the employees' rent deductions inappropriately as non-taxable, in violation of Federal Internal Revenue Service and State regulations. We also found that some employees were allowed to live in the residences without charge. As a result, we determined that the State had lost between $253,000 and $417,000 in rental revenue between January 1995 and August 1998. The actual amount of the lost revenue depends upon whether it is more correct to rate the residences as being in poor, fair, good or excellent condition as provided for by Division of the Budget rate calculation formula. (See pp. 3-9)

The College also failed to charge some employees who lived in the student dormitories. Because complete records of employees residing in the dormitories were not available, we could not determine the extent of the revenue lost in this instance. Although we were able to determine that 22 employees lived in the dormitory during the audit period, we found no evidence that 15 (68 percent) had made any payments for their housing. In addition, the $21,557 in payments that were collected had not been collected through employee payroll deductions as required. (See pp. 6-8)

We found that the College's collection of outstanding tuition and fee receivables was poor. Without being required to pay their outstanding tuition and fee balances, students were allowed to re-register for classes, continue to reside in dormitories, and sail on the annual training cruise. As of June 30, 1998, outstanding tuition and fees totaled $875,706. Of that total, almost $549,000 was due from 217 students comprising more than 25 percent of those who were attending the College in the 1997-98 school year. Nine of these students owed more than $10,000, including one who owed more than $42,000. After completing his education, the latter student was allowed to continue living in the dormitory and was employed by the College. (See pp. 11-15)

In the area of payroll and personnel, we found that the time sheets for an entire department had not been prepared or signed by the employees themselves; instead, the supervisor and his secretary had performed those functions. Overtime was paid without adequate supporting documentation, authorization, or justification; and paychecks were distributed in a manner not consistent with good business practices. (See pp. 17-19)

We also found that equipment inventory records were not up-to-date. Purchases dating back to December 1995 had still not been entered into the inventory as of July 1998. A campus-wide inventory had not been taken for at least nine years. (See pp. 21-22)

## Comments of SUNY Officials

Officials of SUNY Maritime and SUNY System Administration agree with most of our recommendations. They indicate that many of the recommendations have been or will be implemented.

# Contents

# Introduction

## Background

One of five specialized colleges within the State University of New York (SUNY), Maritime College (Maritime or the College) awards associate's, bachelor's and master's degrees in science and engineering. Located in the Bronx at Throgg's Neck on Long Island Sound, the College trains and educates its student body of nearly 800 to become licensed officers in the American merchant marine and features an annual "summer sea term" cruise on its training ship. During fiscal year 1997-98, Maritime employed a staff of approximately 320, with payroll costs of $12.1 million.

## Audit Scope, Objectives, and Methodology

We audited selected financial management practices at Maritime for the period of January 1, 1995 through October 31, 1998. The objectives of our audit were to evaluate the adequacy of Maritime's internal control environment and the adequacy of its internal control procedures pertaining to on-campus housing for employees, tuition and student fees, payroll and personnel functions, and equipment inventory. To accomplish these objectives, we reviewed Maritime's policies and procedures, applicable rules and regulations, and appropriate documentation. We also interviewed management and staff at the College and we tested selected controls and transactions.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of Maritime which are included in our audit scope. These standards also require that we understand Maritime's internal control structure and its compliance with those laws, rules and regulations that are relevant to Maritime's operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may already be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

## Internal Control and Compliance Summary

Our consideration of the College's internal control structure identified weaknesses pertaining to payroll, personnel and equipment inventory functions and pertaining to the collection of revenues for housing rentals, tuition, and student fees. These weaknesses are explained in the sections of this report entitled "Employees' On-Campus Housing," "Collection of Tuition and Fees," "Personnel and Payroll Practices," and "Equipment Inventory."

## Response of SUNY Officials to Audit

A draft copy of this report was provided to Maritime and SUNY System Administration officials for their review and comment. Their comments have been considered in preparation of this report and are included as Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the State 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 therefor.

# Employees' On-Campus Housing

We found significant weaknesses in the College's internal control environment and internal control procedures over revenues from housing rentals. The Vice President for Administration (VPA) exercises too much authority over housing rentals. The VPA has authorized deviations from State and SUNY guidelines without providing satisfactory justification. As a result, certain College employees and students have benefitted on a selective basis; and the State has lost substantial housing revenues.

Maritime is providing certain employees with 12 units of on-campus living quarters in four single-family homes and four duplex houses, each of which has an enclosed garage. Some of the houses are illustrated in photographs in Exhibit B at the end of this report. In addition, employees are living in three apartments located above the galley and beside the power plant. Descriptions of these 15 units, and the titles of employees currently housed in them, are provided in Exhibit A. The College also houses employees in various rooms in Bayless Hall Dormitory.

We reviewed the College's practices for charging maintenance fees (rents) for on-campus living quarters during the period of January 1, 1995 through August 1998. We found that the College has for many years been charging employee rents that were significantly lower than the rates established by the State Division of the Budget (DOB) for employees' on-campus residences. Furthermore, Maritime has erroneously classified the payroll deductions it authorizes for rent payments as non-taxable in the employees' gross income calculations. Finally, we found the College's policies, documentation, and other related living arrangement materials to be significantly inadequate.

## Houses and Apartments

According to Section 135 of the Civil Service Law and Subdivision 7 of Section 44 of the State Finance Law, DOB is responsible for setting the rates charged to State employees for living quarters. DOB's Item B-300, *Employee Maintenance Policy and Charge Schedule*, which sets forth the fair rental values of living quarters, applies to all Maritime employees except for the College President, according to SUNY officials. These rents may vary, depending on the location of the residence (e.g., metropolitan, urban/suburban, town/village, rural) and the quality of the living quarters. The rates can be determined from the Charge Schedule in Item B-300, by applying the location and quality classification rating, along with the floor plan (numbers and types of rooms) and other characteristics. The rate includes all charges for heat and utilities. New rates are set each year in July for the following 12 months.

All employees living in the College's on-campus houses and apartments pay their rent through payroll deductions; we were told that no other payment method is used. When we reviewed College payroll documents from January 1995 through August 1998, we found that the College has been charging these employees significantly less than the rates stipulated by the DOB; in some instances, no rent was charged at all. We also found extended vacancies and delays in the implementation of rent deductions from employees' paychecks after occupancy. As a result, we estimate that New York State has lost between $253,000 and $417,000 in rental revenue during the audit period. The actual amount of the lost revenue depends upon whether it is more correct to rate the residences as being in poor, fair, good or excellent condition as provided by the DOB rate calculation formula. Our low range amount assumes poor condition and our high range amount assumes excellent condition. Our calculations do not include the President's quarters since his housing is not subject to DOB's Item 300. In addition, we do not include Quarters #3 in our calculations since this housing was intentionally left vacant pending the hiring of a new Academic Vice President.

Employees are currently paying, on average, approximately $1,866 **per year** to live in the College's houses. This rate has remained unchanged throughout the audit period, and we were told it has been the same for at least 15 years. Using rental revenues calculated in accordance with DOB's rates, the actual annual rental charges resulted in a loss to the State of between $70,111 and $114,861 depending on whether the premises should have been deemed in poor or excellent condition respectively. SUNY officials told us that, although the SUNY Vice Chancellor approves the rent for the Maritime President's residence, such rent ($2,145 per year) has not been increased since 1989. (The SUNY Board of Trustees is authorized to establish rates for all Presidential campus housing.) At least 26 of the College's employees were able to take advantage of this housing opportunity between January 1995 and August 1998. Pictures of the residences are shown in Exhibit B.

The following chart contrasts the rents paid by Maritime employees to the rates established by DOB:

| HOUSING UNITS * | DOB ANNUAL RATE 1998 | DOB ANNUAL RATE 1998 | ANNUAL RATE ACTUALLY CHARGED 1998 |
|---|---|---|---|
| | CONDITION POOR | CONDITION EXCELLENT | |
| **House/Duplex** | | | |
| 2 | $5,631 | $8,480 | $1,814 |
| 2A | 7,038 | 10,600 | 1,814 |
| 4 | 8,727 | 13,143 | 1,814 |
| 5 | 8,024 | 12,084 | 2,003 |
| 6 | 8,024 | 12,084 | 1,814 |
| 7 | 8,024 | 12,084 | 1,814 |
| 8 | 7,320 | 11,024 | 1,814 |
| 11 | 7,320 | 11,024 | 1,814 |
| 12 | 6,335 | 9,540 | 1,814 |
| 56 | 6,335 | 9,540 | 1,814 |
| SUBTOTAL | $72,778 | $109,603 | $18,329 |
| | | | |
| **APARTMENTS** | | | |
| | | | |
| 9 | $4,400 | $6,627 | $0 |
| 51A & 51B | 5,631 | 8,480 | 0 |
| 51B | 5,631 | 8,480 | 0 |
| SUBTOTAL | $15,662 | $23,587 | $0 |
| | | | |
| TOTALS | $88,440 | $133,190 | $18,329 |
| | | | |
| ANNUAL LOSS | $70,111 | $114,861 | |

* Does not include the President's quarters (residence #1) because these rates are approved by the SUNY Vice Chancellor. The rate for unit #3 is not included because it was being held vacant since November 1997 for possible assignment to a new Academic Vice President.

We found the following additional conditions related to the housing arrangements:

- One current resident employee, the Plant Superintendent, has been living rent-free in an on-campus apartment since the spring of 1995; three other resident employees have been living rent-free in one of the duplexes and the two other apartments since the spring of 1998. There was no written justification for the lack of deductions from these employees' paychecks.

- We found no evidence that four other former employees had paid any rent at all while they were living in one of the duplexes and the three apartments, for periods that ranged from 10 to 37 months, during our audit period.

- When we took a judgmental sample of three employees, we found that an average of six months had passed between the time the employee moved in and the date of the first payroll deduction for rent. We could find no evidence that payments had been made retroactively to cover the lag period.

- The College had not prepared lease agreements for any of the 15 housing units.

The VPA initiates the deduction of rent from the payroll. He pointed out that the superintendent of the power plant is allowed to live rent-free in one of the apartments because it is important to have the superintendent on campus as much as possible, in case of emergencies. However, we were provided with no written documentation justifying the "free" occupancy. The VPA also noted that the other three employees had been scheduled to participate in the College's annual training cruise just after they moved into their respective living quarters. He said he considered it unfair to start charging them rent until after they returned from the cruise. However, we found that, two months after the cruise returned, two of the three were still not paying rent.

## Dormitories

SUNY Maritime also houses employees in its dormitory. According to SUNY, all rental income is to be appropriately maintained within the University's Dormitory Income Fund in conformance with the requirement that campuses operate their residence halls on a self-sufficient basis. We found that the College had been undercharging and, in some cases, not charging rent to employees who were living in the dormitory. The employee residents who do pay dormitory rent submit it directly to the

Bursar's Office on a monthly basis; it is not deducted from their paychecks.

We further found that the College generally lacked records supporting the housing of employees in dormitories. The records that were available were significantly inadequate. Reviewing various memorandums that we found in a Bursar's file, we were able to identify 22 Maritime employees who had lived in a dormitory at one time or another, during a period from January 1995 through August 1998. We cannot estimate the amount of total rental revenue lost during this period, because the poor condition of the records prevents us from identifying all of the employee residents, and/or determining the length of occupancy.

We did find the following:

- There was no written support that 15 (68 percent) of the 22 employees living in the dormitory during the audit period had paid any rent to the College.

- College officials had a selective "no-charge" policy regarding the rental of dormitory rooms to employees. Maritime officials had written letters to the VPA, requesting a waiver of paying dormitory rent for certain individuals. In one such letter, the official asked why the employee in question should pay rent "when so many others have been accommodated gratis." The request was granted.

- The employees who were paying rent were paying it directly to the Bursar; but, according to OSC Payroll Bulletin P-995, rent should be deducted automatically from the employees' paychecks. The $21,557 in rents collected since 1995 have not been paid in this manner.

- One of the current employees we identified as making payments nevertheless has a current outstanding balance of at least $2,210 in his dormitory account.

- Ten of the employees had not signed a Dormitory Occupancy Agreement (DOA), the required housing contract with the College that specifies the rights and obligations of both parties.

- The DOA states that resident employees will provide a $50 cleaning and key deposit along with the first month's rent. However, this fee was not being collected.

- The DOA does not indicate how soon an employee must vacate the room after he or she is no longer employed by the College.

The VPA also sets the employee rental rates for the dormitory. He said he was aware that some employees were being undercharged and that, in some cases, certain employees were not being charged at all to live in dormitory rooms. However, he said he considered this practice to be in the best interest of the College and the individuals involved.

## Taxability of Maintenance Fees

Maintenance fees (rents) are deducted automatically from the bi-weekly paychecks of College employees who live in on-campus living quarters other than a dormitory. These charges have been classified as non-taxable by the VPA, and are deducted as a pre-tax charge in the way that health insurance premiums are deducted from employees' paychecks. The financial benefits of the "free" living arrangements were not reported to the appropriate taxing authorities.

Section 119 of the U.S. Internal Revenue Code states that all of the following conditions must be met before lodging charges can be classified as non-taxable:

- The lodging must be provided at the employer's place of business.

- The lodging must be provided at the employer's convenience.

- The employee must be required to accept the lodging as a condition of his or her employment.

In addition, the Office of the State Comptroller Payroll Bulletin P-995 dated April 21, 1998, states, "These IRS conditions can be met only if the employee has been required to accept the lodging at the time he or she was hired. Satisfactory evidence must be available to show that the employee would not have been hired if he or she had not accepted the lodging. The IRS conditions are not met if the employees simply choose to live in State housing to make themselves available for emergency calls."

Based on our observations and interviews with College officials, we have determined that Maritime employees meet the first two requirements of Section 119. However, those who live in the houses do not meet the third requirement, that the employee is required to accept lodging as a condition of employment. We came to this conclusion after we reviewed the employees' appointment letters and determined that none of the employees had been required to accept lodging as a condition of employment. In addition, many of the employees had not been assigned housing immediately after they were appointed.

Housing has been assigned at the discretion of Maritime's President, based on availability. According to the VPA, about 75 percent of the employees living in on-campus housing needed to be there because of their work responsibilities. However, the College has established no written guidelines that could document which employees are to be allowed to live on campus and the rental rates they should be charged for their housing.

Furthermore, as the employer, the State has a responsibility to report the employees' rental payments properly to the taxing authorities. By classifying the rent deductions as non-taxable, the College has understated the employees' gross incomes, thus potentially denying income tax revenue to both the State and Federal governments.

(SUNY officials responded that they will confer with University tax consultants regarding the taxability of employee housing.)

## Recommendations

1. Charge rent in accordance with current established DOB-300 rates to all employees living in on-campus housing.

2. Provide written justification for the waiving of rent.

3. Classify the current housing and apartment maintenance fees as taxable, where appropriate.

4. Ensure that, beginning with the date of occupancy, payroll deductions for rent are made promptly from employee residents' bi-weekly paychecks.

5. Prepare a lease agreement that will apply to employees' on-campus housing and will require vacancy when an employee no longer works for the College. Require all resident employees to sign it; and keep a copy of the agreement on file.

## Recommendations (Cont.'d)

6. Maintain adequate records to account for the housing of employees in the College's dormitories.

7. Revise the Dormitory Occupancy Agreement to include procedures to be followed when the resident employee leaves College service.

8. Ensure that all dormitory resident employees are up-to-date in their rental payments and associated fees, and require all future payments to be made through payroll deductions.

   (SUNY Maritime and SUNY System Administration officials concur with recommendation number 1 through recommendation number 8.)

9. (Recommendation number 9 has been deleted. See State Comptroller's Notes to Appendix B.)

10. Prepare written guidelines and criteria for on-campus living arrangements, citing the job conditions that College employees must meet to qualify for the housing.

11. Ensure that the College President approves all employees' on-campus living arrangements.

12. Ensure that the VPA understands and complies with the various housing requirements that he is responsible to administer.

13. Provide for the routine monitoring of the College's housing practices and the reporting of monitoring results to the College President.

    (SUNY Maritime and SUNY System Administration officials concur with recommendation number 10 through recommendation number 13.)

# Collection of Tuition and Fees

We found significant weaknesses in the College's internal controls over the collection of tuition and fees. As in the case of employees' on-campus housing, the Vice President for Administration exercises too much authority in this area and has authorized deviations from State and SUNY guidelines without providing satisfactory justification. As a result, certain students have benefitted on a selective basis by not having to pay their tuition and other fees, while the State risks losing substantial tuition revenues.

The per-semester cost of tuition at the College for the 1997-98 academic year was $1,700 for full-time undergraduate students who are New York State residents and $4,150 for out-of-State residents. Per-semester tuition costs for full-time graduate study were $2,550 for New York State residents and $4,208 for out-of-State residents. Based on an agreement with SUNY, students who are residents of Connecticut, Delaware, Maryland, New Jersey, Pennsylvania, and Virginia pay in-State rates because those states, which lack maritime schools of their own, help subsidize the program by paying a flat annual fee to the College.

Each student pays a $1,585 fee to participate in the annual summer training cruise. Dormitory rent for the 1997-98 academic year was $1,625 per semester. For that year, students could also choose one of two meal plans that cost either $978 or $1,047 per semester, depending on the number of meals eaten and number of days covered. For the period of July 1, 1997 through June 30, 1998, the College reported $2.8 million in tuition and fee revenues; dormitory revenues were reported as $2.2 million. In addition, meal plan revenues are collected by the Bursar's Office and subsequently turned over to the College's food service contractor.

According to the Bursar, $691,596 in tuition and fees was due from students as of June 30, 1998, including $77,441 that has been due for more than one year. Another $184,110, which had been turned over to the New York State Attorney General's Office for collection, was still outstanding as of the same date. Total outstanding student receivables as of that date amounted to $875,706.

When we reviewed the tuition and fee payment procedures at the College, we found that Maritime was not complying with the appropriate State and SUNY policies and procedures. Students were being allowed to re-register for classes, live in dormitories, and participate in the annual training cruise, without being required to pay their outstanding tuition and fee balances from prior and current semesters. Some of these students were allowed to complete all of their course work for graduation. In a few cases, the College required the students to sign promissory notes to insure the payment of their outstanding balances, but then took no action if the students failed to comply with the scheduled payment dates. Finally, the College employed certain of these students after they graduated, placing them on the payroll, despite the fact that they had not satisfied their financial obligations. Even after the former students were receiving a paycheck from the State, Maritime officials made no effort to take regular payroll deductions that would have enabled the new graduates to pay their debts.

## Collection Requirements

SUNY's Procedures Manual (Manual) states that, in general, charges shall be due and payable prior to the day classes are to begin in each semester. If payment is not feasible, such charges shall then be due and payable within reasonable time frames established by the campus.

The Manual indicates that "Delinquent student accounts should be transferred to the ... Attorney General's Office..." The statute of limitations on such accounts is six years from the due date. Students will not be allowed to register until the account is paid in full or unless the Attorney General's Office gives permission. On a discretionary basis, a deferral of all or part of a student's charges may be authorized by the College President or the President's representative when the charges are supported by third-party assistance programs (e.g., loans, scholarships, or grants) or when failure to defer a student's charges will exert an extreme hardship on the student. Section 10.2 IIA.4 of the Manual states that grades of delinquent students should be recorded by the Registrar, but there should be no official recognition either in the form of a grade report or a transcript. Furthermore, the VPA told us that students with outstanding balances are not allowed to participate in the summer training cruise without his approval. He said he had been very successful in collecting outstanding tuition and fees when the students faced the prospect of missing the cruise.

Maritime officials had initially given us a report of aged account receivables that indicated a balance of $691,596 in student account receivables as of July 1, 1998. However, the Student Accounts Receivable Balances Report that was provided to us, which listed individual student accounts, contained the names of 217 students enrolled in the 1997-98 school year, who had an accounts receivable balance totaling $548,680. College officials were not able to reconcile the differences between the amounts listed in the two reports. They told us that the $548,680 balance related only to undergraduate students. Although they said that another $70,032 was due from graduate students, they were unable to give us a student-by-student breakdown of that figure. The remaining $72,884 difference was not explained.

According to Maritime's Registrar, the Bursar's Office informs the Registrar by memo which students have outstanding balances and, therefore, should not be allowed to register. Then, the Registrar's Office informs each student verbally that approval from the VPA, the Manager of the Business Office, or the College President must be obtained before the student can register. The student is allowed to register if one of these three officials issues such a memo to the Registrar's Office.

We reviewed the accounts receivable for the ten students who had the largest debt. Nine of these students owed more than $10,000 each, with one owing more than $42,000. The total reported debt incurred by these ten students was $158,824. We found that all ten of these students were routinely allowed to register each semester without paying off outstanding balances. For example, one student, who first attended Maritime in the spring of 1995 and failed to make tuition payments that semester, was nevertheless allowed to register again for each semester from the fall of 1995 through the spring of 1998 until he completed all of the course work required for the bachelor's degree. Incurring debt in each of the semesters he attended Maritime, his final debt amounted to $42,158 by the time he completed his course work in May 1998. According to the College's records, this student owed $23,702 in tuition, $9,195 in dormitory rent, $6,248 for meals, and the rest for miscellaneous fees. If this student had been prevented from re-registering for the first semester in which he already had an outstanding balance, in the fall of 1995, his debt to the State would have been just $5,870.

On January 21, 1998, before his final semester as a student, this student signed an agreement with the College that he would pay "by special agreement subsequent to (his) completion of the academic curriculum, the full amount due by assigning wages, as agreed to in May of 1998, to the College." Neither a repayment schedule nor a payment due date was specified; yet, based on this agreement, he was allowed to register and to occupy a dormitory room for the semester.

From that May until August 1998, he made no payments toward his outstanding debt. On September 3, 1998, after already completing his studies for a Bachelor's degree, this student signed another promissory note, committing himself to begin payments of $200 per month, with the first payment to be made on September 25, 1998. We confirmed that he made the first scheduled payment. However, at that rate, it will take him more than 18 years to pay back the $44,266 including interest that he owes to the State. Despite the completion of his Maritime studies in May 1998 and a past-due debt for dormitory rent of $9,195, this former student was allowed to continue living in the dormitory through August 1998. In addition, he was given a job that enabled him to be paid on the College's payroll through September 1998. Even though he was being paid by the College, no payroll deductions were taken to recoup some of his outstanding debt.

(SUNY officials responded that the student in question was a foreign student seeking political asylum and was not eligible for financial aid. They stated that they consciously decided to work with the student and get him through his education. Officials stated that they felt it was the right thing to do and the only way the State would ever collect the education debt.)

Auditors' Comments: The University ought to consider whether it needs to provide additional policy guidance to establish the appropriate treatment of students seeking political asylum and their related financial indebtedness.

Despite their outstanding debts, all of the 10 students in our sample were allowed to register for classes for a total of 34 semesters. They were required to sign payment agreements in just four semesters. On six occasions, five of the students in our sample were even allowed to participate in the annual training cruise without paying their outstanding debts or signing payment agreements. All ten students had their course credits earned and grades received posted on a form that resembled a transcript. Nine of the 10 copies we obtained from the Office of the Registrar contained the school's raised seal, were signed and contained the words "official copy" in red. For those that graduated, the degree conferred was recorded along with other pertinent data.

According to Maritime's stated procedures, the Registrar would not allow students to register without written approval from the President, the VPA, or the Manager of the Business Office. We saw evidence of such approval in just 7 of the 34 semesters, including the 4 instances when payment agreements were signed. According to officials in the Registrar's Office, they did not retain the other written authorizations that had allowed these students to register for classes despite their outstanding balances. Three of the ten students completed all of the course work necessary for graduation, while another three were allowed to register again for the fall 1998 semester.

Maritime officials told us that student debts would not be referred to the Attorney General's Office while the students were still enrolled. The debts of just one of our sampled students have been referred to the Attorney General; and that outstanding balance of $10,906 was not referred until July 13, 1998, more than two years after it began to accumulate. Two of the ten students signed payment agreements after they had already completed their education, but we believe it would have been more prudent for Maritime officials to refer their cases to the Attorney General soon after the debts were incurred, as early as 1995. The statute of limitations for collection by the Attorney General is six years from the due date of the original bill. Therefore, with each succeeding semester that one of these students' accounts was not been referred, the possibility grows less and less likely that the funds will be collected before the statute of limitations expires.

The management of the payment and collection of students' outstanding balances is further impeded because the College has no written procedures or policies for the deferral of tuition and the College has not yet computerized its cash receipt and accounts receivable records; these records are still being maintained manually. Therefore, it is difficult for Maritime officials to monitor and track students who have outstanding balances or those who have been granted deferrals of tuition.

## Recommendations

14. Follow State and SUNY guidelines for the collection of student tuition and fees.

15. Identify all students with outstanding debt and take appropriate actions to collect the receivables.

16. Reconcile the differences in the two balances recorded in the reports of aged accounts receivable and student accounts receivable.

17. Refer student receivables to the State Attorney General's Office in a timely manner.

18. Establish written procedures and/or policies for deferrals of tuition.

19. Computerize the information systems used in the collection of revenues and accounts receivable.

20. Ensure that no students with outstanding debts to the College are allowed to participate in the summer training cruise unless they sign a payment agreement or submit to other collection actions.

21. Ensure that grades are not posted on any school documents that resemble a transcript unless it is clearly marked as not an official copy via a watermark or other method.

(SUNY Maritime and SUNY System Administration officials concur with recommendation number 14 through recommendation number 21.)

# Personnel and Payroll Practices

We reviewed select payroll and personnel practices at Maritime to determine whether the College has imposed adequate internal controls over these functions. Internal controls are procedures intended to help organizations safeguard their assets, promote operational efficiency, and adhere to established policies. State agencies and public authorities are required by the New York State Governmental Accountability, Audit and Internal Control Act of 1987 to establish and maintain appropriate systems of internal control.

Based on our review, we found that Maritime's procedures need to be strengthened. Among other conditions, we found an entire department in which employees do not prepare or sign their own time sheets. We also found that the payment of overtime is made without adequate supporting documentation, written authorization, or justification. The distribution of paychecks by Personnel Department employees was made without a requirement that employees sign for the checks.

## Time and Attendance

According to New York State's Accounting System User Procedure Manual (Accounting Manual), all employees are required to maintain daily time records that show either actual hours worked or a daily record of absences and time and leave credits earned and used. Furthermore, Maritime requires that all time sheets be turned in to the Payroll Department by the Monday following payday.

When we reviewed the time sheets of all employees of the Public Safety Office, we found that two employees (a secretary and a supervisor) had filled out the time sheets for the other Public Safety employees, including initialing the time sheets where the employees' initials were required. This practice conveyed a false impression that the employees had attested to the accuracy of the records. In fact, by not requiring its employees to sign the sheets, Public Safety may be absolving them of responsibility for any errors or omissions that are contained in the records. Some of the employees told us that their time sheets have been handled in this manner for at least ten years, without any comments from College officials. Maritime's Director of Personnel, who also supervises the Payroll Department, stated that she was not aware of such practices.

## Controls over Overtime

According to the State Payroll Manual (Payroll Manual), scheduled overtime work must be authorized in advance by the appointing officer before overtime may be credited. To be processed, authorization for overtime must be submitted with time sheets. Based on our audit testing, we determined that the College is not controlling overtime adequately.

During the 1997 calendar year, 80 Maritime employees earned $343,834 in overtime. Nine of those employees earned overtime pay of more than $10,000 each. Amounts earned ranged between $10,378 to $38,907 that year. Seven of the nine employees worked in the Maintenance Department; one was the College nurse, and one worked in the Public Safety Office. The overtime payments represented between 32 percent and 116 percent of the employees' gross pay.

The top overtime earner was a plant utility engineer in the Maintenance Department, who earned $38,907 in overtime, an amount equal to 116 percent of his regular annual salary. He had not received advance authorization for any of this overtime, which included one hour each day, Monday through Friday, and eight hours of overtime every Saturday during the summer.

We found that the College's Payroll Department does not have standard procedures or forms for overtime authorization. According to the Director of Personnel, none of Maritime's departments submits overtime authorization forms along with employee time sheets. She said only the Maintenance Department submits a summary form that lists the days an employee worked overtime. However, this form is submitted only when an individual works more than 40 overtime hours in a bi-weekly period; it lists only the day the overtime was worked, not the hours worked, and it is not signed by a supervisor.

## Payroll Distribution

According to the Payroll Manual, paychecks should be distributed by a responsible Business Office employee who is not otherwise involved with any of the steps of payroll preparation. Adherence to this standard would satisfy the internal control requirement that employees responsible for processing payroll information must not have access to the paychecks.

It is good business practice not to give the paychecks to anyone other than the intended employee, unless the employee authorizes such distribution in writing. According to College policy, employees are to sign the distribution sheets when they pick up their paychecks.

However, paycheck distribution at Maritime is handled by the Personnel Department, a violation of good internal controls. We also found control weaknesses in the distribution procedures. On July 22, 1998, we observed Personnel Department staff handing out paychecks; and found that employees were allowed to pick up their paychecks without signing the distribution sheets. Furthermore, some employees were allowed to pick up an entire department's payroll without signing the distribution sheets. Our interviews with Personnel Department staff indicated that they regularly mail paychecks to at least ten employees even though they have no authorization letters on file giving permission for such mailings. A Personnel Department clerk told us she mailed checks to all employees who provide self-addressed stamped envelopes.

## Recommendations

22. Ensure that employees maintain their own time records and sign their personal time sheets, attesting to their accuracy.

23. Enforce the requirement that overtime be authorized in advance, when applicable.

24. Prepare standardized overtime-authorization forms and require departments to submit completed approved forms along with the employee time sheets.

25. Ensure that employees sign for their paychecks at the point of distribution.

26. Assign the duties of sorting and distributing paychecks to employees who are not involved in the payroll preparation process.

27. Obtain written authorization from employees to have their paychecks mailed or to be distributed to others.

(SUNY Maritime and SUNY System Administration officials concur with recommendation number 22 through recommendation number 27.)

# Equipment Inventory

## Records

The College utilizes SUNY's computerized Property Control System (PCS) to control its equipment inventory. Since November 1, 1996, SUNY policy required that computers, monitors, and printers costing $500 or more and all other items costing $1,500 or more must be recorded on PCS.

According to the Accounting Manual, all items of equipment to be brought under control should be identified by a serial number affixed to each item, and records should be maintained for each item of equipment that has been identified by a serial number. The College's Property Control Manager (PCM), or a designated representative, should take an annual physical inventory of the equipment assigned to each location.

At Maritime, the PCM position has been vacant since 1991, and responsibility for this function had been given to the College Accountant/Accounts Payable Supervisor until July 1996, when the Purchasing Associate (Purchasing Director) became responsible for property control. Maritime officials advised us that a College-wide inventory count has not been performed in the past nine years.

The Purchasing Associate told us that the PCS system data for Maritime is not up-to-date and that most equipment purchases are not entered into the system. He claimed that he does not have enough time to devote to such entries because of his heavy workload.

At the time of our audit, the latest printout of the PCS listing of Maritime's inventory had been produced on March 30, 1996. According to this listing, the College had 1,257 equipment items with an original cost of $3.8 million and a replacement cost of $8.5 million. When we requested a more current copy of the PCS, we were provided with a July 24, 1998, listing that showed 520 equipment items with an original cost of $3.2 million and a replacement cost of $7.8 million. Maritime officials told us that SUNY had purged from the inventory about 730 items with a value that fell below inventory cost limits.

The inventory included items that had been purchased in the 1940s and 1950s. However, the list included just 17 items that had been purchased in 1994, eight purchased in 1995, one that was purchased in 1996, and none that were purchased from 1997 to 1998. We found at least 50 equipment items with a total value of $94,000 that had been purchased as long ago as December 1995, but had not been entered into the System.

We also found that inventory identification tag numbers were not being assigned in sequence. On the inventory control listing, tag numbers on items purchased in the 1970s and 1980s were higher than those on equipment purchased in the 1990s.

## Recommendations

28. Perform annual inventories of equipment, and investigate any discrepancies.

29. Update the inventory data on the SUNY PCS whenever the appropriate equipment is received.

30. Ensure that inventory identification tag numbers are assigned in sequence.

(SUNY Maritime and SUNY System Administration officials concur with recommendation number 28 through recommendation number 30.)

Listing of On-Campus Housing Residences and Residents as of August 1998

| Unit Number | Residents | Number of Rooms | Number of Bathrooms |
|---|---|---|---|
| #1 | College President | 7 | 3 |
| #2* | Chief Mate | 4 | 1 |
| #2A* | Assistant Commandant | 5 | 2 |
| #3 * | Vacant | 5 | 3 |
| #4 * | College Nurse | 7 | 3 |
| #5 * | Director, Small Vessels Operations | 6 | 3 |
| #6 * | Director, Waterfront Facilities | 6 | 3 |
| #7 * | Director, Physical Plant | 6 | 3 |
| #8 * | Deputy Commandant of Cadets | 5 | 3 |
| #11 | Commandant of Cadets | 5 | 3 |
| #12 | Director, Athletics | 5 | 1 |
| #56 | Assistant Commandant | 4 | 1 |
| Apts | | | |
| #9 | Plant Superintendent | 3 | 1 |
| #51A | Assistant Commandant | 3 | 2 |
| #51B | Chief Engineer | 3 | 2 |

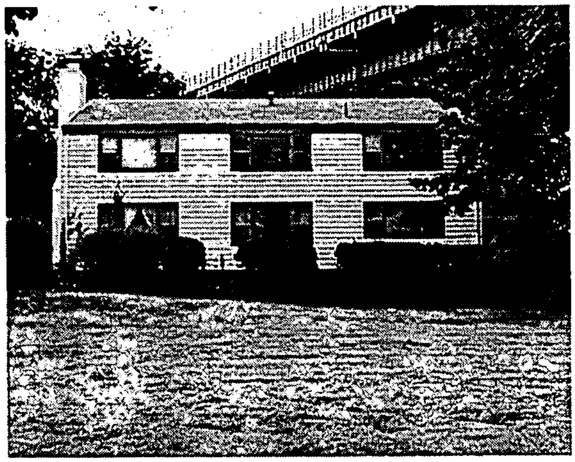
* Duplex Quarters



Exhibit A

Photographs of Employees' On-Campus Housing

Quarters #12



Quarters (#1)

Quarters #3 and #4

Quarters #5 and #6

# Major Contributors to This Report

Jerry Barber
Bill Nealon
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50 YEARS SERVICE, PRIDE & EXCELLENCE

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April 13, 1999

Mr. Jerry Barber
Audit Director
Office of the State Comptroller
The State Office Building
Albany, New York 12236

Dear Mr. Barber:

In accordance with Section 170 of the Executive Law, we are enclosing the comments of State University of New York Maritime College and SUNY System Administration regarding the draft audit report on State University of New York Maritime College, Selected Financial Management Practices (98-S-26).

Sincerely,

Donald G. Dunn

Donald G. Dunn
Executive Vice Chancellor

Enclosure

**Appendix B**

**State University of New York**
**Maritime College**

**Selected Financial Management Practices**
**98-S-26**

**Employees' On-Campus Housing**

(SUNYMC) We believe that the Audit did point out many significant issues. This gave us reason to pause and take a closer look at policies and procedures. Maritime is unusual in that we have 12 housing units and 3 apartments on campus. Also, our students are organized in a Regimental System which entails mandatory student living on campus with adult supervision. This necessitates several of the key staff members being required to reside on campus as they have required duties after regular working hours and must be available for student supervision. We also have a Training Ship and Training Tug plus over three dozen sailing craft which require the immediate availability of certain officers for security, safety and emergency response.

In addition, to attract personnel to the high-cost metropolitan area while offering modest salaries, the housing provides us with another incentive to bring out-of-area personnel to Maritime.

The vacant Quarters #3 mentioned on page 6 of the report has intentionally been left vacant. Repairs to the house were completed just before the audit commenced. The administration was holding the residence for possible assignment to a new Academic Vice President, as the incumbent will be retiring in May. A national search has begun and we desire the flexibility of being able to offer this housing as an employment inducement. * Note 1

In light of our uniqueness and specialized mission, we will work with SUNY System Administration to develop an appropriate policy that would accommodate the Maritime College. This policy would include and be responsive to the audit recommendations.

(SUNY) We believe the reference in the Executive Summary to a minimum rental revenue loss for on-campus housing of $467,000 between January 1995 and August 1998 should be removed because the basis for this calculation is subjective (quality rating) and also incorrectly includes a DOB formula-based rental calculation for the President's house (#1). Presidential housing maintenance deductions are not covered by the DOB bulletin. The authority for establishing maintenance charges for Presidential housing was transferred to the University with the 1985 flexibility legislation. * Note 1

It appears that the calculations made using the DOB bulletin have been based on a



*See State Comptroller's Note Number 1, Appendix B-9 quality rating that results in higher rates (i.e., excellent or good condition rather than fair or poor condition). We would question the validity of such subjective ratings.

The reference to contacting two local realtors and including their opinion as to the prime location and condition of the on-campus housing (did the realtors view the housing interiors?) should also be deleted as it should have no bearing on the campus rental calculations. It is questionable whether potential tenants would deem the location desirable when informed of the proximity to the college student population or the Throgs Neck Bridge.

* Note 1

The Executive Compensation Committee of the Board of Trustees periodically revises presidential housing maintenance deductions in connection with a review of the president's compensation and benefit package and the University's ability to attract high caliber candidates.

Based on the unique nature of Maritime's on-campus housing (previously living quarters for personnel stationed at Fort Schuyler), System Administration will work with the campus to develop an appropriate policy for Maritime employee maintenance deductions. System Administration will consult with the Division of the Budget on such policy.

Since the inception of the University's dormitory self-sufficiency policy, the DOB bulletin rate calculations for residence hall housing do not apply. All rental income is appropriately maintained within the University's Dormitory Income Fund in conformance with the requirement that campuses operate their residence halls on a self-sufficient basis.

System Administration's Controller's office will confer with the University's tax consultants regarding the taxability of employee housing and the appropriate amount that should be reported if deemed taxable.

**Recommendations (Page 10)**

| | | |
|---|---|---|
| (OSC) | 1. | Charge rent in accordance with current established DOB-300 rates to employees living in on-campus housing. |
| (SUNYMC) | 1. | We will work with System Administration to develop an appropriate housing policy. We have increased the maintenance deductions. |
| (SUNY) | 1. | System Administration will work with the campus to develop an appropriate policy for Maritime employee maintenance deduction. |
| (OSC) | 2. | Provide written justification for the waiving of rent. |



*See State Comptroller's Note Number 1, Appendix B-9

| | | |
|---|---|---|
| (SUNYMC) | 2. | We agree. A procedure will be included in the proposed policy. |
| (OSC) | 3. | Classify the current housing and apartment maintenance fees as taxable, where appropriate. |
| (SUNYMC) | 3. | We agree. This will be included in the proposed policy. |
| (OSC) | 4. | Ensure that, beginning with the date of occupancy, payroll deductions for rent are made promptly from employee residents' bi-weekly paychecks. |
| (SUNYMC) | 4. | We agree. Maintenance deductions will be made as required. |
| (OSC) | 5. | Prepare a lease agreement that will apply to employees' on-campus housing and will require vacancy when an employee no longer works for the College. Require all resident employees to sign it; and keep a copy of the agreement on file. |
| (SUNYMC) | 5. | We agree. This document will be drafted and included in the new policy. |
| (OSC) | 6. | Maintain adequate records to account for the housing of employees in the College's dormitories. |
| (SUNYMC) | 6. | We agree. Both bursar and dormitory records will reflect occupancy. |
| (OSC) | 7. | Revise the Dormitory Occupancy Agreement to include procedures to be followed when the resident employee leaves College service. |
| (SUNYMC) | 7. | We agree. A new clause is being inserted in the dormitory occupancy agreement to provide instructions for vacating when leaving State service. |
| (OSC) | 8. | Ensure that all dormitory resident employees are up-to-date in their rental payments and associated fees, and require all future payments to be made through payroll deductions. |
| (SUNYMC) | 8. | We agree. All employee residents of the dormitory have signed new dormitory rental agreements and their accounts have been brought up to date. |
| (SUNY) | 2-8. | We agree with the recommendations and the College's responses. |
| (OSC) | 9. | Transfer to the State all dormitory rents that the College received from employees. Remit future payment to the State. |
| (SUNYMC) | 9. | We believe all dormitory payments and fees should be paid to the Bursar and be placed in Dormitory Income Fund Accounts which support the |

* Note 2





* See State Comptroller's Note Number 2, Appendix B-9

maintenance and operation of the dormitories.

(SUNY) 9. Since the inception of the University's dormitory self-sufficiency policy, the DOB bulletin rate calculations for residence hall housing do not apply. All rental income is appropriately maintained within the University's Dormitory Income Fund in conformance with the requirement that campuses operate their residence halls on a self-sufficient basis.

(OSC) 10. Prepare written guidelines and criteria for on-campus living arrangements, citing the job conditions that College employees must meet to qualify for the housing.

(SUNYMC) 10. We agree. These guidelines will be a major part of the new proposed policy.

(OSC) 11. Ensure that the College President approves all employees' on-campus living arrangements.

(SUNYMC) 11. We agree. All future housing assignments will be authorized by the President as they are now.

(OSC) 12. Ensure that the VPA understands and complies with the various housing requirements that he is responsible to administer.

(SUNYMC) 12. We agree.

(OSC) 13. Provide for the routine monitoring of the College's housing practices and the reporting of monitoring results to the College President.

(SUNYMC) 13. We agree. The new proposed policy will provide for oversight.

(SUNY) 10-13. We agree with the recommendations and the College's responses.

<u>Collection of Tuition and Fees</u>

(SUNYMC) Pages 13 and 14 of the audit focused on one student with a large receivable balance. This was an extreme case and requires further explanation. The student in question was a foreign student who came to Maritime as an independent student in the Spring of 1995 from Ghana. He had been in the United States since June 1994 and was seeking political asylum. He had been in contact with the U.S. Immigration and Naturalization Service but no action had been taken on his request. He, therefore, could not receive financial aid or attain part-time employment. He was allowed to register and continue with his studies in the hope that his status would be quickly resolved. The Chairman of our Science Department has said the student is one of the brightest he has ever seen. We consciously decided to work with the student and get him through his education. We felt that this was the right thing to do and also the only way the State would ever collect the educational debt. He has now graduated and obtained a good position. He has signed a promissory note to repay his debt and, in fact, has begun to do so. It is true that the repayment amount of $200 is low but we intend to increase this amount as soon as it is reasonable for him. We firmly believe that this debt will, in fact, be paid in full and that we have made the best decision under the circumstances.

**Recommendations (Page 16)**

(OSC) 14. Follow State and SUNY guidelines for the collection of student tuition and fees.

(SUNYMC) 14. We agree and will comply.

(OSC) 15. Identify all students with outstanding debt and take appropriate actions to collect the receivables.

(SUNYMC) 15. We agree. All students and graduates who have outstanding debt are being identified and appropriate action is being taken to collect the receivables. Several students in question have been contacted and have signed agreements and commenced payments.

(OSC) 16. Reconcile the differences in the two balances recorded in the reports of aged accounts receivable and student accounts receivable.

(SUNYMC) 16. We agree. We have been working on this and have reduced the difference in the two report balances from $72,884 to $14,922 and will continue to work on this until fully reconciled.

(OSC) 17. Refer student receivables to the State Attorney General's Office in a timely manner.

(SUNYMC) 17. We agree. Currently, we refer accounts to the Attorney General for collection on a quarterly basis. We do not refer accounts of enrolled students as we attempt to collect all receivables while the student is still in attendance.

(OSC) 18. Establish written procedures and/or policies for deferrals of tuition.

(SUNYMC) 18. We agree. We will formulate and establish a written student deferral procedure.

(OSC) 19. Computerize the information systems used in the collection of revenues and accounts receivable.

(SUNYMC) 19. We agree. We are currently implementing a system with the IBM AS/400 e mini computer using a modular software program from Computer Management and Development Services "CMDS." We have purchased four modules, Accounts Receivable, Financial Aid, Registration and Admissions. We have had significant implementation difficulties and this is the primary reason we had such high receivables on June 30, 1998. We have overcome most of the bugs and are in the final stages of integration and acceptance of the software programs.

(OSC) 20. Ensure that no students with outstanding debts to the College are allowed to participate in the summer training cruise unless they sign a payment agreement or submit to other collection actions.

(SUNYMC) 20. We agree. Again, the computer software problems impacted collections for Summer Sea Term 1998. Summer Sea Term 1999 should be back on track as the software program is functioning properly.

(OSC) 21. Ensure that grades are not posted on any school documents that resemble a transcript unless it is clearly marked as not an official copy via a watermark or other method.

(SUNYMC) 21. We agree. We will identify grade reports appropriately as "Not Official Transcripts."

(SUNY) 14-21. We agree with Maritime's responses to the recommendations. We will follow-up with the Campus to ensure that it is adhering to existing State University policies and procedures regarding student billing and collection procedures, including the development of appropriate campus policies and procedures for the deferral of tuition. We will also ensure that Maritime has applied the proper reconciliation and other accounting controls over student accounts receivable balances.

<u>Personnel and Payroll Practices</u>

<u>Recommendations (Page 19)</u>

(OSC) 22. Ensure that employees maintain their own time records and sign their personal time sheets, attesting to their accuracy.

(SUNYMC) 22. We agree. All employees will sign and verify their time sheets.

(OSC) 23. Enforce the requirement that overtime be authorized in advance, when applicable.

(SUNYMC) 23. We agree. There are two types of overtime, i.e., scheduled and unscheduled. The former is easier to control and is the type that is planned, e.g. sickness and others must work overtime to cover watches, etc. The unscheduled due to breakdown of equipment or other unplanned event is difficult to control other than respond during overtime or defer until business hours. We have significant scheduled overtime in the maintenance department, the power plant and public safety as a result of personnel shortages.

(OSC) 24. Prepare standardized overtime-authorization forms and require departments to submit completed approved forms along with the employee time sheets.

(SUNYMC) 24. We agree. We have designed a form for overtime activities and will require that departments submit completed approved forms with time sheets.

(OSC) 25. Ensure that employees sign for their paychecks at the point of distribution.

(SUNYMC) 25. We agree. Employees will be required to sign for their pay checks.

(OSC) 26. Assign the duties of sorting and distributing paychecks to employees who are not involved in the payroll preparation process.

(SUNYMC) 26. We agree and this is, in fact, our practice. During the audit, the auditors saw an employee distributing payroll checks and assumed the employee was a Payroll Clerk. The employee was not; the individual is the Personnel Office Secretary. Personnel and Payroll share the same office.

(OSC) 27. Obtain written authorization from employees to have their paychecks mailed or to be distributed to others.

(SUNYMC) 27. Employees will be required to designate in writing someone authorized to receive their checks or to have their checks mailed.

(SUNY) 22-27. We agree with Maritime's response and corrective action steps.

**Equipment Inventory**

(SUNYMC) Since the audit, we have hired a Property Control Clerk who works under the Purchasing Associate. We have managed to address most of the audit deficiencies and feel that we now have a good system for equipment control.

**Recommendations (Page 21)**

(OSC) 28. Perform annual inventories of equipment, and investigate any discrepancies.

| | | |
|---|---|---|
| (SUNYMC) | 28. | We agree. We have performed inventory audits of many offices/departments and are reviewing the results. We anticipate a completed campuswide inventory by the end of the fiscal year. |
| (OSC) | 29. | Update the inventory data on the SUNY PCS whenever the appropriate equipment is received. |
| (SUNYMC) | 29. | We agree. We have been working diligently on this and have made almost 300 entries in the SUNY PCS, adding and deleting, investigating discrepancies and updating equipment inventories as appropriate. |
| (OSC) | 30. | Ensure the inventory identification tag numbers are assigned in sequence. |
| (SUNYMC) | 30. | We agree. The error was corrected and tag numbers are assigned in sequence. |
| (SUNY) | 28-30. | We agree with Maritime's response and corrective action steps. We will follow-up with the campus to ensure that equipment inventory has been completed and updated on the State University's PCS system, equipment inventory is properly tagged, and errors and discrepancies are investigated and corrected. |

State Comptroller's Note

1. Certain matters addressed in the draft report were revised or deleted in the final report. Therefore, some agency comments included in Appendix B may relate to matters no longer contained in this report.

2. Recommendation Number 9 was deleted based upon the SUNY response to the draft report.

# NOTICE

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