

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF MANAGEMENT AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on Eugenio Maria de Hostos Community College Student Activity Fees

MH06-104A

June 29, 2006



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has audited Egenio Maria de Hostos Community College (Hostos) student activity fees.

The student activity fees levied and collected by Hostos are used to develop educational, social, cultural, and recreational activities for Hostos students. Audits of public entities such as this provide a means of ensuring that they are accountable for funds and use them to benefit those they serve, as intended.

The results of our audit, which are presented in this report, have been discussed with Hostos officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/ec

Report: MH06-104A

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Table of Contents

AUDIT REPORT IN BRIEF 1

 Audit Findings and Conclusions..... 1

 Audit Recommendation 1

 Agency Response 1

INTRODUCTION..... 2

 Background..... 2

 Objective..... 2

 Scope and Methodology 3

 Discussion of Audit Results..... 4

FINDINGS AND RECOMMENDATIONS 5

 Collection of Student Activity Fees..... 5

 Budgeting Procedures 5

 Student Activity Fees Expenditures..... 6

 Recommendation 7

 Reporting to the Internal Revenue Payments for
 Stipends and Other Services to Individuals 7

ADDENDUM Hostos Response

*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on
Eugenio Maria de Hostos Community College
Student Activity Fees**

MH06-104A

AUDIT REPORT IN BRIEF

This audit determined whether all student activity fees collected by the Eugenio Maria de Hostos Community College (Hostos) were turned over to the Hostos Association (Association); the internal controls over the expenditures of student activity fees were adequate; and the expenses incurred by the Association were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws. The scope period of this audit was Fiscal Year 2005. The Association develops educational, social, cultural, and recreational activities for Hostos students; it receives its revenue from mandatory student activity fees levied and collected by Hostos. In Fiscal Year 2005, the student activity fees received by the Association totaled \$447,850.

Audit Findings and Conclusions

All moneys collected by Hostos for student activity fees were submitted to the Association. In addition, our review of the 782 payments found that all purchases were for goods and services that were reasonable, appropriate, and in compliance with guidelines and bylaws of the Association. Controls over the reporting of payments made for stipends and services are also adequate.

The Association has adequate controls over the expenditures, including: segregation of duties, proper authorization, and supporting documentation. Of the 782 payments, 743 (95%) had adequate documentation to support the purchase, such as receipts, invoices, and service contracts. The 612 payments for clubs and organizations that required additional authorization were properly authorized, with the exception of nine payments.

Audit Recommendation

Based on our findings, we make one recommendation: the Association should ensure that all payments have adequate supporting documentation.

Agency Response

Hostos officials agreed with the audit's recommendation.

INTRODUCTION

Background

The City University of New York (CUNY) has 11 senior colleges, 6 community colleges, a graduate school, a law school, a school of professional studies, and a biomedical program. Hostos is one of the community colleges. CUNY created Hostos on April 22, 1968, in response to the demands of Puerto Rican and other Hispanic leaders to establish a college to meet the needs of South Bronx residents. Enrollment has grown from 623 students admitted in September 1970 to more than 4,000 students admitted in Fiscal Year 2005-2006.

The Association was incorporated in 1976 for the purpose of developing and cultivating educational, social, cultural, and recreational activities for Hostos students. The Association is governed by a board of directors consisting of 13 members, including 6 students. All registered and currently enrolled students at Hostos are part of the general membership of the Association.

The Association receives its revenue from student activity fees levied and collected by Hostos. Association bylaws require that all expenditures conform to the expenditure categories contained in CUNY bylaws Article XVI, §16.2, "Student Activity Fees." The Association sponsors extracurricular programs that include cultural and social activities; recreational and athletic programs; student government; and publications and various media activities. The Association oversees 11 student-activity-fee budget categories, such as: Clubs/Organizations, Sports and Recreation, Commencement Ceremony, Student Government (SGO), Media and Communications, and Leadership Development.

Hostos students are charged a mandatory student activity fee of \$61.75 for a full-time student, \$28.25 for a part-time students, and \$19.50 per student for a summer session. (In addition to these fees, Hostos collects 85 cents from each student, which is earmarked for the student senate, not the Association.) The fees are collected by Hostos at the time the student registers. Each semester, Hostos submits the collected student activity fees to the Association, which administers the disbursement to the various organizations and activities. In Fiscal Year 2005, the student activity fees received by the Association totaled \$447,850.

Objective

Our audit objectives were to determine whether:

- All student activity fees collected by Hostos were turned over to the Association.
- The internal controls over the expenditures of student activity fees were adequate.
- The expenses incurred by the Association were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

Scope and Methodology

The scope period of this audit was Fiscal Year 2005 (July 1, 2004–June 30, 2005).

To obtain an overall understanding of the Association's policies and procedures over the collection and spending of the student activity fees, CUNY's *Fiscal Handbook for the Control and Accountability of Student Activity Fees* and the Web pages of the Office of Student Activities at Hostos were reviewed. In addition, the Business Manager/Treasurer of the Association, the Director of Student Activities, the Coordinator for Business Services, and the Accounting Assistant of the Association, who is responsible for day-to-day operations, were interviewed. The Association's books, records, and accompanying data for the scope period were also reviewed.

To gain an understanding of the budgeting process, we attended the general Association meetings and the Association Budget Committee meetings on January 17, January 31, and February 9, 2006. In addition, the budget proposals submitted by the clubs at these meetings were reviewed as well as the minutes of the 49 meetings held by the Association and the Budget Committee during Fiscal Years 2003, 2004, and 2005.

To test the reliability of the student-activity-fee data generated by the CUNY Student Information Management System (SIMS), we randomly selected a sample of 50 students from the population of 9,761 students registered at Hostos for the Summer 2004, Fall 2004, and Spring 2005 semesters. The class schedules for each of the 50 students in our sample were reviewed to determine the amount of student activity fees to be collected. This information was then compared to the fees that were assessed as shown in SIMS to determine whether the fees were accurate.

To determine whether all student activity fees collected by Hostos were submitted to the Association for each semester, the Association's bank statements which include deposits of student activity fees collected, along with the supporting schedules that listed each student and the student's corresponding student activity fees were reviewed. The amounts of the deposits were compared to the totals of the supporting schedules. In addition, the Bursar's Daily Report generated by SIMS, which lists all the registered students at Hostos and their corresponding student activity fees collected, was compared to student information on the supporting schedules.

To determine whether the Association maintained adequate documentation to support all 782 payments made during Fiscal Year 2005 (totaling \$444,264), we reviewed the payment vouchers and supporting documents for each check issued. Of the 782 payments made, 612 payments, totaling \$322,335, were on behalf of the various clubs and organizations. All vouchers for these 612 payments were reviewed to determine whether the required additional authorizations by various members of Hostos and the Association were present. In addition, all 782 checks were reviewed to determine whether the authorized signatures were present.

To determine whether the Association expenses were reasonable, appropriate, and complied with prescribed guidelines and bylaws, we reviewed the details in the supporting

documentation of the 782 payments and compared them to the allowable expenditures contained in the Association's bylaws.

To determine whether the Association complies with the Internal Revenue Service requirements to issue and file Form 1099-MISC (for miscellaneous income) for payments made for services to individuals of \$600 or more in a calendar year, we compared the Association's QuickBook records for calendar years 2004 and 2005 to the 118 copies of the Form 1099-MISC maintained in the Association's files.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. It was performed in accordance with the audit responsibilities of the City Comptroller, as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with Hostos officials during and at the conclusion of this audit. A preliminary draft report was sent to Hostos officials and discussed at an exit conference held on May 16, 2006. On May 26, 2006, we submitted a draft report to Hostos officials with a request for comments. We received a written response from Hostos officials on June 12, 2006. In their response, Hostos officials agreed with and will implement the recommendation made.

The full text of the Hostos response is included as an addendum of this report.

FINDINGS AND RECOMMENDATIONS

Based on our interviews, testing of records, and observations of Association meetings, we determined that all moneys collected by Hostos for student activity fees were submitted to the Association. In addition, the Association has adequate controls over the expenditures, including: segregation of duties, proper authorization, and supporting documentation. Finally, the expenses incurred by the Association were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

The results of tests are discussed in detail in the following sections of this report.

Collection of Student Activity Fees

Based on a list that was received from Hostos detailing the number of students and the fees collected during the Summer 2004, Fall 2004, and Spring 2005 semesters and compared with the total amount of money received by the Association, the Association received all moneys due.

Table I below is a breakdown of student fees obtained by the Association for the three semesters.

Table I

Student Fees Obtained by the Association
Summer 2004 through Spring 2005

Semester	Number of Full Time Students*	Dollar Amount Collected	Number of Part Time Students**	Dollar Amount Collected	Total Dollar Amount Received by Association
Summer 2004	61	\$2,379	799	\$15,581	\$17,960
Fall 2004	3033	\$187,288	1122	\$31,696	\$218,984
Spring 2005	2861	\$176,667	1212	\$34,239	\$210,906
Total	5955	\$366,334	3133	\$81,516	\$447,850

* Includes students who attended both Summer sessions during 2004.

**Includes students who attended one Summer session during 2004.

Budgeting Procedures

Based on our review of the minutes of 13 general Association meetings and 16 Budget Committee meetings held during Fiscal Years 2004 and 2005, as well as our attendance at 2 Association and 3 Budget meetings held during the Spring 2006 semester, moneys allocated to the various clubs and organization went through an organized budget process.

At the beginning of each semester, after discussing their budget needs with faculty advisors, the clubs and organizations submit their budget proposals to the Director of Student Activities. The main categories in the budget proposals are publicity and promotion; films; honoraria for speakers; performers; bands; supplies; refreshments; and travel to conferences and workshops. The Office of Student Activities provides guidelines to the clubs and organizations that include how to organize and prepare their budget proposals. Budget proposals are then presented to the Budget Committee for review. Members of the Budget Committee discuss the merits, make suggestions, may reduce certain items, and vote to approve or table the budget proposals. Lastly, the Association receives the budget proposals and makes the final decision whether to accept or deny the proposals.

Student Activity Fees Expenditures

The internal controls over the expenditures made by the Association were adequate, including: segregation of duties, proper authorization, and supporting documentation. The expenditures were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

There is sufficient segregation of duties in the payment process. This includes the sign-off by the Director of Student Activities, a review of the voucher package, a review of the availability of funds by the Accounting Assistant, the issuance of the checks by the Business Manager/Treasurer of the Association, and the signing of the checks by two separate authorized officials.

In addition, our review of the 782 payments, totaling \$444,264, found that all purchases were for goods and services that were allowable and in compliance with guidelines and bylaws of the Association. For example, expenditures included entertainment and refreshments for cultural events, services of coaches and referees for various sporting events, decoration for graduation, and stipends for the officers of the student government. In addition, 612 payments for clubs and organizations, totaling \$322,335, required additional authorization from various members of Hostos and the Association, such as club presidents, faculty advisors, SGO treasurer, members of the Association, and the Director of Student Activities. With the exception of nine payments, totaling \$2,838, the remaining payments were properly authorized.

For 743 (95%) of the 782 payments, there was adequate documentation to support the purchase, such as receipts, invoices, and service contracts. The remaining 39 payments totaling, \$10,090, had insufficient documentation to support the purchase. For example, seven of these purchases, totaling \$2,524, were for gift cards from Barnes and Noble (\$1,395) and for MetroCards (\$1,129) to be given out as prizes for various contests and raffles. The voucher packages did not include a receipt or a listing of the recipients who received the prizes. While these checks were prepared prior to the actual purchase of the prizes, once the purchase was made and the prizes distributed, the Association should have ensured that this documentation was forwarded to it and included as part of the payment voucher package.

Recommendation

1. The Association should ensure that all payments have adequate supporting documentation.

Hostos Response: Hostos officials agreed stating, “Every effort will be made by the College including periodic reviews to ensure that adequate support documentation is available for all disbursement requests.”

Reporting to the Internal Revenue Payments for Stipends and Other Services to Individuals

Controls over the reporting of payments made for stipends and services are adequate. We reviewed the Form 1099-MISCs that the Accounting Assistant issued to individuals and sent to the federal government for calendar years 2004 and 2005 and compared these reports with the QuickBook records for stipends and services paid by the Association for calendar years 2004 and 2005. For 2004, there were 58 individuals who received a total of \$83,627, and for 2005, there were 60 individuals who received a total of \$94,854, in stipends and payments for services. A Form 1099-MISC was issued for each of the individuals who earned \$600 or more, as required by the Internal Revenue Service.



Eugenio María de **Hostos Community College**
Of The City University of New York
500 Grand Concourse, Bronx, New York 10451
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June 12, 2006

Mr. John Graham
NYC Office of the Comptroller
Executive Offices
1 Center Street
New York, NY 10007-2341

Re: Draft Audit Report on the
Eugenio Maria de Hostos Community College's
Student Activity Fees
MH06-104A

Dear Mr. Graham:

In response to the draft audit report issued on May 26, 2006 we concur with your recommendation: 'The Association should ensure that all payments have adequate supporting documentation'. Every effort will be made by the College including periodic reviews to ensure that adequate support documentation is available for all disbursement requests.

If you have any questions or need additional information the Vice President can be reached at (718) 518-4308.

Sincerely

Kenneth Acquah
Business Manager

cc: Esther Rodriguez-Chardavoyne, Vice President Finance & Administration
David Rankert, Acting Director Office of Internal Audit & Mgt. Services