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AUDIT

BUREAU OF AUDIT

June 17, 2019

By Electronic Mail

Chancellor Felix Matos Rodriguez
City University of New York
205 East 42nd Street
New York, NY 10017

**Re: Letter Report on Kingsborough Community College's
Controls over Student Activity Fees
(Audit Number MG19-075AL)**

Dear Chancellor Matos Rodriguez:

This Letter Report concerns the New York City Comptroller's audit of Kingsborough Community College's (Kingsborough's) controls over student activity fees. The objective of this audit was to determine: 1) whether all student activity fees collected were turned over to the College Association (Kingsborough Association); and 2) whether the expenses incurred by the Kingsborough Association and funded by student activity fees were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

Background

The City University of New York (CUNY) provides higher education to more than half a million students, as well as adult and continuing education students.¹ CUNY—which enrolls students in over 1,700 academic programs—consists of 24 institutions, including: 11 senior colleges; 7 community colleges; and 6 graduate, honors, and professional schools. Kingsborough is one of the seven CUNY community colleges. Kingsborough offers 38 associate degree programs and 4 certificate programs that facilitate student-transfers to CUNY's four-year colleges or to baccalaureate studies at other institutions. During Calendar Year 2017, Kingsborough's enrollment included 16,256 full-time students and 15,005 part-time students.

As part of their tuition payments, full-time and part-time students pay student activity fees for student government and other student activities. According to the CUNY Bylaws, Article XVI, the Kingsborough Association has the responsibility to supervise and review budgets for programs that are supported by student activity fees. When the fees are collected, they are turned over to the

¹ Adult and continuing education classes serve professionals seeking up-to-date certifications, people exploring new careers and occupations, immigrants credentialing their skills for the workforce, and adults improving their English or math proficiency to attain a High School Equivalency diploma.

Kingsborough Association. The expenses they support must be reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

At Kingsborough, full-time and part-time students pay \$85.00 and \$42.50 respectively in student activity fees per semester. Activity fees are not collected for the summer and winter semesters. Based on the college's enrollment figures for Fiscal Years 2017 and 2018, \$1,907,058.85 and \$1,855,046.65, respectively, in student activity fees should have been collected for those years. The CUNY Bylaws require that the student activity fees, once paid, be deposited in the relevant college's central depository to be allocated and expended for various programs and activities, including extracurricular educational programs, cultural and social activities, recreational and athletic programs, student government, community service, and payments of stipends to student leaders.²

For Fiscal Years 2017 and 2018, the Kingsborough Association oversaw 26 student activity budgets including but not limited to Athletics, Campus Activities Board, Clubs, College Association, Commencement Ceremonies, and Scholarship & Service Awards. The Kingsborough Association holds meetings to outline spending plans, review budget proposals and allocate funds to the student clubs and the Association organizations before the fiscal year begins.

When funds are requested (by a club, the athletic department, etc.) the requesting student organization completes a disbursement voucher that contains a detailed explanation of the request, including the name of the activity and a description of any items purchased. All disbursement vouchers must be accompanied by supporting documentation such as original receipts and invoices, and are to be submitted to the Office of Student Life for review and approval by the Director of Student Life. Once a disbursement voucher is approved, the Director of Student Life is to forward a check request to the Kingsborough Association Office for approval. A single check can be used to pay several disbursement vouchers at one time. If granted, a check is submitted to the President/Treasurer of the Association for signature. Payments can be made either to vendors or to students (as reimbursement for out-of-pocket expenses incurred).

Audit Findings

We determined that Kingsborough had adequate controls in place to generally ensure that student activity fees collected during Fiscal Years 2017 and 2018 were turned over to the Kingsborough Association. Specifically, the controls established by CUNY and Kingsborough include the following:

- Development of clearly defined policies and procedures for its staff regarding the collection and disbursement of student activity fees.

² A stipend is a fixed sum of money paid periodically to a student for services performed in accordance with a budget approved by the allocating body. Kingsborough pays stipends for meal allowances issued to students who participate in off campus activities in which they are representing the college and includes both local and overnight travel.

- Segregation of responsibilities for the fees collection process, including the receipt of payments, reconciliation of cash collected by a supervisor, and the safeguarding of funds collected.
- Policies and guidelines regarding disbursements of student activity fees including the establishment of budgets, the approval of expenditures, adherence to guidelines regarding the requirements for spending thresholds, and the safeguarding of checks.

Based on our review of Kingsborough's student enrollment numbers and the student activity fees assessed, we determined that all the student activity fees collected from Kingsborough students during Fiscal Years 2017 and 2018 were turned over to the Kingsborough Association. In addition, during the course of our review, we found that Kingsborough maintained a list of persons authorized to approve and certify disbursement vouchers, and all disbursement vouchers were signed with the appropriate signatures. We also determined that, excepting certain food and gift card purchases described below, the expenses incurred by the Kingsborough Association were reasonable, appropriate, adequately supported, and in compliance with prescribed guidelines and bylaws.

According to the Fiscal Handbook, the Kingsborough Association is required to solicit bids for catering purchases of food for catering events.³ If bids are not solicited, a reasonable price must be determined. For Fiscal Years 2017 and 2018, the Kingsborough Association purchased food for 97 events from 18 off-site campus vendors, totaling \$75,258 and \$99,538 respectively. However, the Association did not solicit bids or obtain price comparisons as required by applicable guidelines. Kingsborough officials stated that the Association was under the assumption that catering was excluded from those purchases requiring bid solicitations. Officials stated that as of Fiscal Year 2019, the Association began implementing procedures that would include the solicitation of bids or obtaining of price comparisons as required.

In addition, the Kingsborough Association periodically issues gift cards to students as awards for competitions.⁴ The Kingsborough Association was not able to locate receipts to substantiate the awards for 33 gift cards (totaling \$2,150) of the 338 reported as being issued to students during Fiscal Years 2017 and 2018. As a result, we are unable to confirm that these funds were used in the manner stated.

³ Meals that are provided to individuals are not subject to this requirement.

⁴ During Fiscal Years 2017 and 2018, the Kingsborough Association purchased 420 gift cards ranging from \$5 to \$250 for a total of \$22,705 and issued 338 gift cards totaling \$18,425.

Recommendation

The Kingsborough Association should ensure that expenses are incurred and documented in accordance with its guidelines. This includes ensuring that bidding or price research is conducted as required and always maintaining supporting documents (e.g., receipts) for purchases.

Kingsborough Response: Kingsborough agreed with the audit recommendation. With regard to the bidding and price research, Kingsborough stated that “[d]uring Fiscal Year 19, the Procurement Department (Purchase) has required the clubs and organizations of the Kingsborough Community College Association (Association) to submit at least three (3) quotes to document their price research for external catering services of \$1,000 or more for the large scale events...Going forward, the Association will continue the Fiscal Year 19 practice. . . .” With regard to maintaining supporting documents for purchases, Kingsborough stated, “[o]ur current procedure includes receiving signed prize receipt forms from the recipients to ensure that such gift cards were purchased and distributed as intended.”

Scope and Methodology

We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2016 through June 30, 2018. To gain an understanding of how student activity fees are processed, we conducted walkthrough meetings and interviews with Kingsborough management and staff in charge of the day-to-day operations of student activities, and the disbursement of student activity fee funds.

To obtain an understanding of the policies governing student activity fees, we reviewed CUNY Bylaws Article XVI Student Activity Fees and Auxiliary Enterprises, The City University Fiscal Handbook for the Control and Accountability of Student Activity Fees (1992), Kingsborough’s Policy Manual for Budget Orientation, Fee Payment Policy Process & Timing for FY 2018, and the Registered Student Organization manual. We also reviewed the Bylaws of Kingsborough Community College Association, Inc.

For criteria relating to internal control procedures, we reviewed Comptroller’s Directive #1, *Principles of Internal Control*, Kingsborough Community College’s *New York City Comptroller’s Office Calendar Year 2017 Checklist Agency Evaluation of Internal Controls Directive #1*, and CUNY’s Chancellor’s signed Directive #1 letter. Regarding purchasing regulations and financial guidelines, we reviewed the *Procurement Policy and Procedures of The City University of New York* and the Office of Budget and Finance *Financial Management*

Guidelines – College Associations. We also reviewed disbursement vouchers, checks, and disbursements reports.

To obtain an understanding of how student activity fees are allocated, we interviewed Kingsborough's Director of Student Life and reviewed budget documents showing the allocations. We also reviewed the chart of accounts, disbursement reports, disbursement vouchers, receipts journals, and general ledger for Fiscal Years 2017 and 2018, the *Kingsborough Community College Association and Club Budgets*, and external financial audits performed for those years.

To determine whether student activity fees collected were turned over to the Kingsborough Association, we reviewed the *Student Activity Fee Payment Transfer Summary and Enrollment Summary* for Fiscal Years 2017 and 2018 and compared them to the Kingsborough Association bank statements. We also determined whether the outstanding accounts receivable balance for student activity fees plus the total student activity fees collected matched our calculations based on the enrollment figures.

To assess Kingsborough's internal controls over student activity fees, we conducted an unannounced observation of the Bursar's office cash collections process. To determine whether the student activity fees assessed by Kingsborough's CUNYFirst system⁵ matched the students' records, we obtained a list of students who were registered in Fiscal Years 2017 and 2018 (45,961 and 44,330 students respectively)⁶ and randomly selected a sample of 25 students from each Fiscal Year to determine whether the student activity fees collected were accurately assessed based on the students' enrollment status.

To determine whether disbursements paid with student activity fees were properly authorized and accurate, we reviewed the student activity fee cash disbursements reports for Fiscal Year 2017, which included 1,270 checks totaling \$1,933,237 and Fiscal Year 2018, which included 1,152 checks totaling \$1,580,716. We tested the report's accuracy and completeness by tracing 50 randomly selected disbursements to the actual checks and 50 randomly selected checks to the electronic file from which the reports are generated.

To test Kingsborough's controls over disbursements, we randomly selected 50 disbursements, each totaling \$500, and above from Fiscal Years 2017 and 2018 (population of 472 and 416 respectively) and compared the sampled disbursements to the cancelled checks to determine whether the amount and the payee information noted on the vouchers matched the information on the issued checks. We also determined whether checks for payments of \$2,500 and above contained two signatures as required.

We reviewed the disbursement vouchers to determine whether the vouchers: 1) had the appropriate approvals; 2) were adequately completed; and 3) contained the required signatures. For club payment and organization payment disbursement vouchers, we determined whether club registration forms and organization registration forms were on file and whether signatures on the disbursement vouchers matched the club registration forms. Next, we determined whether the

⁵ CUNYFirst (CUNY Fully Integrated Resources and Services Tool) is a suite of accounting software that Kingsborough utilizes in overseeing Student Administration and Finance.

⁶ The number of registered students includes students who may be registered in either or both the spring and fall semesters.

expenses incurred were in compliance with guidelines and bylaws, and whether sales tax was paid using student activity fees.

To determine whether 1099-MISC forms were on file for independent contractors, we obtained from Kingsborough a list of independent contractors who received at least \$600 for services during Calendar Years 2016 through 2018 and extracted those payments that fell within Fiscal Years 2017 (\$124,817.50) and 2018 (76,613.50), our scope period.⁷ We then recalculated the total payments for Fiscal Years 2017 and 2018 and checked whether 1099-MISC forms were issued when required.

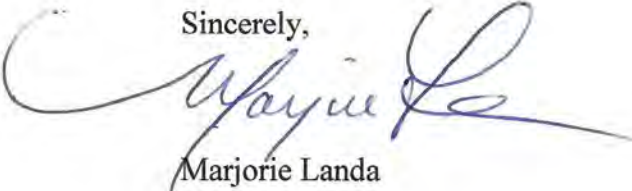
To determine whether Kingsborough complied with its guidelines regarding the issuance of gift cards for award payments, we reviewed a list of gift card recipients (116 and 123 respectively) during Fiscal Years 2017 and 2018 to determine the purpose and amount of gift cards issued and reviewed Prize Award Receipt forms and disbursement vouchers to reconcile the number of gift cards issued.

To determine whether meal allowances paid to students were accurate, we reviewed a list of 456 individuals who received meal allowances in Fiscal Years 2017 and 2018 and examined the 50 randomly-selected vouchers and supporting documentation to determine whether the allowances complied with CUNY and Kingsborough's policies.

The results of the above tests, though not projectable to their respective populations, provide a reasonable basis to assess and to support our findings and conclusions about Kingsborough's controls over the collection and disbursement of student activities fees.

The matters covered in this report were discussed with Kingsborough officials during and at the conclusion of this audit. A preliminary letter report was sent to Kingsborough and discussed during an exit conference held on May 21, 2019. On May 23, 2019 we submitted a draft letter report to Kingsborough with a request for comments. We received a written response from Kingsborough on June 6, 2019. In its response, Kingsborough agreed with the report's findings and recommendation.

Sincerely,



Marjorie Landa

c: Gordon Taylor, Director of Internal Audit and Management Services, CUNY
Jeff Thamkittikasem, Director, Mayor's Office of Operations
George M. Davis, III, Deputy Director, Mayor's Office of Operations

⁷ The Internal Revenue Service (IRS) requires any person or company who makes certain types of payments (rent, royalties, payments to independent contractors) to report them on a 1099-MISC form to the recipient and the IRS. Forms 1099-MISC are filed with the IRS based on a calendar year. In order to capture information relating to our scope period, we reviewed Calendar Years 2016 – 2018 and extracted those payments to independent contractors that fell within the audit scope period.



★ DREAMS BEGIN HERE ★

OFFICE OF THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

June 3, 2019

Ms. Marjorie Landa

Deputy Comptroller for Audit

Office of New York City Comptroller Scott M. Stringer

1 Centre Street, 11th floor (North)

New York, NY 10007

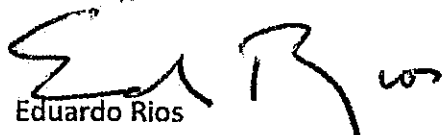
Dear Ms. Landa:

Please accept this memo as a formal response for the audit findings of the audit of the controls over the Student Activity fees of Kingsborough Community College (Audit Number MG19-075AL).

Management Response: *We agree with the audit findings and recommendations as set forth regarding the needs to ensure that bidding or price research are being conducted for catering services. During Fiscal Year 19, the Procurement Department (Purchasing) has required the clubs and organizations of the Kingsborough Community College Association (Association) to submit at least three (3) quotes to document their price research for external catering services of \$1,000 or more for the large scale events. Pursuant to the Fiscal Handbook, the Association is required to follow CUNY purchasing regulations, which require multiple oral or written quotes or documented pricing research for purchases valued at less than \$20,000; single and sole source purchasing is also acceptable when justified. Going forward, the Association will continue the Fiscal Year 19 practice of obtaining at least three documented quotes for external catering services of \$1,000. For external catering services under \$1,000, the Association will either obtain quotes or conduct pricing research. The Association will use a single source procurement for purchases of internal catering, i.e., from the on-campus food service provider, with pricing (the vendor has special pricing for student clubs and organizations), administrative convenience, and service efficiency as justifications.*

We agree with the audit finding and recommendations as they relate to adequately maintaining supporting documentation for the purchase and distribution of the gift cards used for student awards. Our current procedure includes receiving signed prize receipt forms from the recipients to ensure that such gift cards were purchased and distributed as intended. The prize receipt forms are attached to the voucher that includes the receipt of purchase. To ensure that all gift cards are properly and accurately accounted for, effective immediately, all new purchases of gift cards will continue to be authorized by the Director of Student Life, and the Office of Student Life will now be responsible for reconciling cards that were purchased and distributed to the prize receipt forms. Office of Student Life must submit the signed gift card reconciliation to the Association's Controllers Office. In addition, all undistributed gift cards will be maintained and safeguarded by the Office of Student Life.

Sincerely,



Eduardo Rios

Vice President of Finance and Administration

cc: Claudia Schrader, President, Kingsborough Community College, CUNY
Gordon Taylor, Director, Internal Audit and Management Services, CUNY
Catherine Rodriguez, Assistant Director, Internal Audit and Management Services, CUNY
Kim Sanchez, Related Entities Controller