Nassau County
Office of the Comptroller

Limited Financial Review of Nassau Community College

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Comptroller

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NASSAU COUNTY
OFFICE OF THE COMPTROLLER

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Introduction

Nassau Community College ("NCC" or "College") is one of 30 community colleges in the State University of New York system ("SUNY"). Nassau County ("County") provides approximately 25 % [1] of the College's operating costs and the balance is primarily from New York State ("NYS") and student tuition and fees. The County also provides one half of the capital costs and the NYS Dormitory Authority provides the other half. Others revenue sources include tuition chargebacks from other counties, grants, contracts and investment income.

Purpose

The goal of this audit was to review the operational and financial aspects of the College in carrying out its mission and its relative performance against comparable colleges in the area.

Summary of Significant Findings:

Our review found the following:

- NCC reported a net loss in the last three years and has dipped into its reserves for four out of the last five budgets. The College's Multi-Year Financial Plan for Fiscal 2012-2015 has a projected baseline operating loss of $35 million by 2015.
- Inadequate billing and collection practices resulted in past due tuition and fees of $14 million dating back to the 2006/2007 academic year. The College's written guidelines for sending past due letters to students while they were enrolled at the College were not adhered to. Further, delinquent student accounts receivable had not been referred for collection to one of the college's three collection agencies since 2008 and there was no available data of the progress made by the collection agencies.
- Due to weaknesses in the course registration process, students with past due balances were allowed to attend classes and register for new classes and incur more debt, resulting in situations where the students' balances accumulated from several semesters. Our analysis determined that $1.5 million or 12% of uncollected tuition and fees as of August 31, 2011 was owed by 1,292 students (6%) who had accumulated debt over two or more semesters, originating as far back as the Fall 1999 semester. Our review of 20 of the 1,292 students revealed that the accumulation of balances for 8, or 40% of the sample, was the result of weaknesses in the registration process.
- The College processed applications in 2010 and 2011 for 5,849 students without receiving the related application fees of $237,000. These students never enrolled and the likelihood of collecting the fees is minimal. We determined that the reason this occurs is because the process to assess and collect application fees prior to processing student applications is manual and poorly designed and controlled. We also found that other course fees and charges were not always properly charged to student accounts.
- An inadequate segregation of duties over student account functions and the College's reliance on one employee's knowledge and experience led to an unacceptable internal control environment. This situation is further exacerbated since this employee, who is

[1] Article of the NYS Education Law, Section 6304.c states that the County shall provide 26.7% of the College's operating costs. The County's % of support in the operating budget for the 2012/2013 budget year is 25.5%.

management, also has “super access” to post directly to the students accounts while having sole authority over most student financial transactions from start to finish, with virtually no independent oversight by management. Further, audit trail data is not generated to aid in reviewing transaction activity. This employee is also the backup signatory, in the absence of the College Treasurer, for the general student disbursement checking account and six other College bank accounts.

- The independence of the College Internal Auditor was compromised as this individual performed operational functions on a temporary basis because the Accounts Payable manager resigned.

- The College did not bill outside counties within 45 days of the commencement of each academic term for nonresident tuition totaling $9.4 million. The late billing timeframes ranged from 50 to 147 days. They also did not remit the County its share (the capital portion) on a timely basis. The number of days between the date the College received the capital portion and the date the College paid the County ranged between 78 and 164 days. We found that as of August 24, 2012, the College still owed the County approximately $435,000 of 2012 capital chargebacks revenue even though the College received these funds from outside counties as far back as May, 2012. When brought to the College’s attention, they paid the County in October, 2012.

- One educational employee who was allowed by contract to work more than one College position was paid for a position not worked and other teaching staff was paid for two positions when the day and time worked overlapped. Our review of a sample of payments made to 41 of the 1,338 educational employees who worked multiple positions during the audit period revealed that one of the 41 employees was erroneously paid for a position not worked. We also found that 5 of the 41 employees worked overlapping hours on the same day; 2 of the 41 worked different hours than what was stated in their contracts and 5 of the 41 were scheduled to teach classes in different locations back-to-back, with no time allotted to get to the next class.

- Employee time and leave was not always properly documented, tracked and approved in accordance with labor contracts and college policy for 28 of the 43 employees selected for testing.

- A comparison of NCC’s financial data, student population, staffing levels and graduation rates to three other community colleges[2] in New York State, as shown in the Appendix (Exhibits 6-9) of the report, revealed the following:

    i. The College’s staffing levels for the 2010/2011 school year were the highest of the four colleges and are 38% higher than the staffing levels at Suffolk Community College. This was partially due to the College’s lower student to teacher ratio.

[2] Suffolk, Westchester and Monroe Community Colleges.

ii. NCC's student enrollment, including the summer session, was very close at three of the colleges: 33,069 at Nassau Community College, 32,749 at Suffolk Community College and 31,731 at Monroe.

iii. Suffolk Community College's tuition and fees were $6.4 million higher than the College for the 2010/2011 academic year, even though there was not a significant difference in total student enrollment. The disparity is primarily due to Suffolk County's higher fees

iv. The College's administrative and general expenses for the fiscal year ending August 31, 2011 were the highest when compared to the other three colleges. The College's total was $56 million, followed by Suffolk at $52 million, Monroe at $41 million and Westchester at $27 million.

v. NCC's had the second lowest overall graduation and transfer rate (23%) for first time students who entered the four colleges in 2008.

vi. Budgeted operating costs for the 2011/2012 school year were $1,302 more per student at NCC than at Suffolk Community College.

<u>Summary of Significant Recommendations:</u>

- The College should immediately begin a full financial review to assess programs, evaluate processes and functions, and examine tuition and fee rates with the goal of reducing costs and operating more efficiently.
- The College should adhere to its policy of not permitting students with past due balances to register for new classes to prevent students' debt from growing. Course registration policies and procedures should be improved to ensure that students with past-due balances are not allowed to register for new classes and incur more debt.
- An online application process should be implemented to allow applicants to complete and submit the application and pay the application fee at the time of processing. Until the College develops the online application process, we recommend that controls over admissions be improved to ensure that student applications are only processed after the application fee has been received. The fee assessment process for all other fees should be also be reviewed to ensure that all required course fees are accurately assessed.
- Past-due letters should be sent automatically and on a regularly scheduled basis to all students with outstanding balances. In addition, the time span for when student accounts are referred to collection agencies should be shortened. The status of all collection efforts should be reviewed by the executive level finance manager on a periodic basis.
- Roles and responsibilities with respect to student accounts should be reassigned to ensure incompatible key tasks and functions are segregated. No one person should be in charge of, or have full unsupervised daily control over the custody of assets, the authorization of transactions affecting those assets and the recording of the related transactions.

- The internal auditor should not be involved in performing daily operational functions because it negatively impacts the independence of the internal auditor role.
- Controls should be improved to ensure that outside counties are charged for non-resident tuition fees in a timely manner and the County's portion is remitted to the County upon receipt by the College.
- An effective procedure should be developed to ensure educational employees with multiple positions are not scheduled to work or to be paid for the same hours in different departments.
- The College Payroll Department should revise its procedures to ensure that all educational contracts are verified and errors are corrected before authorization for payment is made. All errors should be reviewed to ensure the corrections are processed timely and accurately.
- The College's time and leave process should be automated by implementing the InTime System. In the meantime, corrective action should be taken to ensure that all timesheets are prepared, signed and approved by the appropriate parties. Controls over employee leave time also require improvement to ensure the leave request forms are used, approved and the leave time taken is accurately recorded in NUHRS.
- The College should consider investigating why its fee-related revenue base is much lower than fees reported by Suffolk Community College and why NCC had almost double the full time faculty and support staff of Suffolk Community College.

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The matters in this report have been discussed with the management of Nassau Community College. A draft of this report was sent to the College for their response. Their comments and our follow-up to their comments are included as Appendix C to this report.

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Background

Nassau Community College ("College") is one of 30 community colleges in the State University of New York system ("SUNY"). The College enrolled about 23,000[3] students for the 2010-2011 academic year. The College uses the Banner System ("Banner") for its student information and registration system. Students use this system to view their schedules, grades, transcripts, student account and financial aid information, and pay tuition bills. The College also uses Banner for its accounting and cash disbursement processes.

The College receives revenues from a variety of sources. Nassau County ("County") provides approximately 25%[4] of the College's revenue and the balance is received primarily from New York State ("NYS") and student tuition and fees. The County also provides one half of the capital costs and the NYS Dormitory Authority provides the other half. Others revenue sources include tuition chargebacks from other counties, grants, contracts and investment income. The College Bursar is responsible for the deposit of all tuition and fee revenues.

The College Board of Trustees ("Board") is responsible for formulating policy and overseeing College fiscal and academic operations. The College President, who serves pursuant to an employment agreement with the Board, is the chief executive and administrative officer of the College. His powers, authority, and responsibilities include oversight of the budget, personnel management and labor relations. The College has an acting president.

The College employed 2,242 individuals to provide academic, administrative and operational services to more than 33,069[5] students. Most College employees are governed by collective bargaining agreements. Faculty employees are members of the Nassau Community College Federation of Teachers ("NCCFT"). Adjunct faculty employees are governed by the Adjunct Faculty Association ("AFA"). Civil Service employees are members of Civil Service Employees Association, Inc. ("CSEA") Local 830. Senior administrators have terms of employment governed by Nassau County Ordinance No. 543-95.

Operations

The College implemented the Banner System as its student information and registration system in 2008. Students also use this system to view their schedules, grades, transcripts, student account and financial aid information, and pay tuition bills.

The College used the County's general ledger system known as the Nassau Integrated Financial System ("NIFS") for recording its financial transactions, including disbursements to vendors, through its fiscal year end on August 31, 2011. Beginning September 1, 2011, the College converted its accounting and cash disbursement processes from NIFS to Banner.

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[3] The 23,000 is full and part time students, it does not include summer session.
[4] Article of the NYS Education Law, Section 6304.c states that the County shall provide 26.7% of the College's operating costs. The County's % of support in the operating budget for the 2012/2013 budget year is 25.5%.
[5] Total number of students of 33,069 is for the 2010/2011 academic year.

Since 1993, the College has used the Nassau Unified Human Resources System ("NUHRS") as its official timekeeping system to record all employee and payroll information. Due to budget constraints, the College did not implement the InTime System that the County implemented in 2008. InTime automates timekeeping; employees swipe in and out each day, and tardiness, absences and leave requests are entered in the system and required information is interfaced to NUHRS. Thus, the College's timesheets and timecards are still being used to record attendance, tardiness and absences; leave slips must still be prepared manually. This information is manually entered into NUHRS.

The College contracts with three collection agencies who are paid on a contingency basis to provide a variety of collection services including, but not limited to, making calls, sending letters, credit reporting, the collection of payments directly from the students and sending the College its share.

Review Scope, Objective and Methodology

The goal of this audit was to review the operational and financial aspects of the College in carrying out its mission and its relative performance against comparable colleges in the area.

Our review focused on the internal controls over student account operations, cash receipts and revenues and employee time and leave practices for fiscal years ending August 31, 2010 and 2011. In addition, the College's financial data, student population, and graduation rates were compared to the same information at comparable community colleges.

The specific objectives were to:

- review student accounts to ensure that students were charged the correct tuition rate and were billed properly and timely;
- review collection efforts regarding outstanding student account balances;
- determine that the County was reimbursed the appropriate amount from the student's county of residence (for students who are residents of the State but not residents of Nassau County);
- review time and leave practices and controls focusing on the appropriate use and reporting of leave time;
- compare the College's student population, staffing levels and graduation rates to the same information at Suffolk and Westchester Community Colleges; and
- compare the College's tuition and fees, general and administrative expense to the same information at comparable community colleges.

We reviewed the written policies, procedures, applicable laws and interviewed College personnel. We reviewed student accounts and employee time and leave records and examined documents and other evidence to substantiate the accuracy of information. We tested compliance with applicable laws and regulations and performed other procedures necessary to complete the review.

During the course of the audit, the auditors' access was restricted to the Banner system and the employees who interacted with it. As a result, it was difficult to determine the adequacy of the knowledge, expertise and experience of these employees. Further, this level of restricted access slowed down the audit as we were dependent on the availability of one key employee, which was also very limited and, at times, sporadic.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

Financial Condition of the College

Review Finding (1):

The College's Financial Condition Raises Concerns

According to the audited financial statements for the fiscal years ending August 31, 2010, 2011 and 2012, the College reported a net loss in all three years (see Exhibit 1 shown on the next page). In addition, the College's Multi-Year Financial Plan included in the County's Consolidated Multi-Year Financial Plan for Fiscal Years 2012-2015 has a baseline projected operating loss of $35 million by 2015 (see the Appendix of this report).

The total accumulated net deficit listed on NCC's audited financial statements as of August 31, 2012 was $283 million. This is due to the recognition of unfunded health insurance for retirees and their eligible beneficiaries/dependents, required under GASB 45[6]. Because of this GASB, the financial results of most businesses, both private and public, have net deficits as a result of the cost of post-retirement benefits other than pensions; so the College is not unique in this respect.

Although the College's expenses under GAAP[7] exceeded revenues each year, tuition collections, state and County funding, as well as the use of its fund balance allowed NCC's cash flow to remain adequate until the months of May and June. During these cash-short months (or any cash-short month, should they occur), the County Treasurer would cover any shortfall for payroll and related fringe benefits.[8] This is reconciled annually.

While the College's deficit position continued to grow and salaries and employee benefits represented 77% of total expenses, the College wrote[9] to the Nassau Interim Finance Authority, ("NIFA", the County's State Control Board), to exempt the College from the County-wide wage freeze. Therefore, the full time faculty and CSEA employees received 5% salary increases per year (includes the step increase).

The fund balance as of August 31, 2012 was $15.9 million and $1.5 million is scheduled to be used for the 2013 budgeted fiscal year. NCC projects the use of $4.9 million of fund balance for the 2014 budgeted fiscal year, further reducing the fund balance to $9.5 million. The College Board of Trustees has adopted a policy that set the minimum level of fund balance at 4% of the prior year's operating budget. This is less than the Governmental/Municipal Association (GFOA, Middle States, NYS CCBOA - New York State Community College Business Officers Association.) recommendations of 5% -15 %.

[6] In 2004, GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("OPEB"), established new accounting standards for recording OPEB.
[7] Generally Accepted Accounting Principles.
[8] This situation resulted from an agreement between the County Administration and the County Treasurer after the College agreed to allow the County Treasurer to hold and use the College's property tax money as needed.
[9] February 2, 2011 letter to NIFA from the Special Assistant to the President for Legal Affairs College Counsel which discusses the College's reasoning to be considered exempt from NIFA oversight associated with the control period applicable to the County.

Several other findings in this report discuss serious financial issues including lax collection procedures, overstaffing and the late remittance of chargeback revenue to the County.

Exhibit 1

Nassau Community College
Statement of Revenues and Expenses
Years Ending August 31, 2010, 2011 and 2012
(in Thousands)

Source: Audited Financial Statements (GAAP)

	2010	2011	2012
Revenue			
Student Tuition and Fees	$83,548	$89,197	$96,048
Scholarships/Federal & State Grants	(35,017)	(42,986)	(45,461)
State Appropriation	50,927	45,690	43,561
Nassau County Appropriation - Tax Levy	52,206	52,211	52,207
Nassau County Appropriation - Non Current	2,078	782	5,486
Chargebacks to Other Counties - Non-Residents	11,004	11,487	12,419
Federal Grants and Contracts	26,703	32,966	34,435
State Grants and Contracts	8,012	10,546	12,229
Investment Income	1,991	2,067	2,430
Other Sources - Includes Fund Balance	1,298	2,966	1,715
Private Gifts, Grants and Contracts	245	295	1,629
Total Revenues	$202,995	$205,221	$216,698
Expenses			
Instruction	$111,658	$107,967	$109,263
Instructional Support	26,050	26,142	29,883
Academic Support	11,414	13,465	8,780
Student Services	15,840	15,185	17,002
Operation and Maintenance of Plant	31,135	27,817	27,669
Post Employment Retirement Benefits	28,774	29,091	17,641
Depreciation & Amortization	4,032	6,152	6,944
Interest on Capital Asset-Related Debt	2,385	2,964	4,613
Public Services	503	466	500
Scholarships and Fellowships	55	55	55
Total Expenses	$231,846	$229,304	$222,350
Net Loss	($28,851)	($24,083)	($5,652)
Deficit, Beginning of Year	($224,631)	($253,482)	($277,565)
Plus: Current Year Net Loss	(28,851)	(24,083)	(5,652)
Deficit, End of Year	($253,482)	($277,565)	($283,217)

Review Recommendations:

We recommend that the college immediately begin a full financial review to assess programs, evaluate processes and functions, and examine tuition and fee rates with the goal of reducing costs and operating more efficiently.

Student Accounts

Review Finding (2):

Inadequate Billing and Collection Practices Resulted in the Accumulation of $14 Million of Uncollected Tuition and Fees over a Five-Year Period

Our review revealed that inadequate collection practices resulted in the accumulation of uncollected tuition and fees of $14 million dating back to the 2006/2007 academic year. Of this amount, $3.8 million was written off for financial statement purposes and only $1.9 million of the accounts written off were referred to collection agencies.

Annual tuition and fee revenue averaged $84 million for the fiscal years ending August 31, 2009-2011. The average annual allowance for scholarships including federal and state grants during this same time period was $35 million and the net annual average of tuition and fee revenue was $49 million.

As shown in Exhibit 2, uncollected tuition and fees accumulated to $14 million as of August 31, 2011. Using the total uncollected tuition and fees due from students for the last three academic years of $8.6 million, the annual average was $2.9 million, which represented 6% of the $49 million net annual average of tuition and fee revenue. The College estimated that on average, 73% or $6.3 million of the $8.6 million of outstanding student receivables for the last three academic years (Fall 2008 - Summer 2011) would likely not be realized.

Exhibit 2

Accounts Receivable Aging by School Term 8/31/2011						Accounts Receivable Reserve 8/31/2011	
School Semester	**A/R**	**Due from Other Counties**	**Student A/R**	**Write-offs**	**A/R Net of Write-offs**	**$**	**%**
2006/2007	$ 1,905,208	$ -	$ 1,905,208	$(1,905,208)	$ -	N/A	N/A
2007/2008	1,940,947	-	1,940,947	(1,940,947)	-	N/A	N/A
2008/2009	3,183,760	676,554	2,507,206	-	2,507,206	2,381,814	95%
2009/2010	3,437,641	992,290	2,445,351	-	2,445,351	2,078,548	85%
2010/2011	3,760,605	114,936	3,645,669	-	3,645,669	1,819,363	50%
Total	$14,228,161	$ 1,783,780	$12,444,381	$ (3,846,155)	$ 8,598,226	$ 6,279,725	73%

As discussed in more detail in Review Finding 4, the College's policy is that students with past-due balances will not be permitted to register for new classes. We determined that the $14 million of uncollected tuition and fees was partially attributable to the College not always adhering to this policy, thereby allowing students' balances to accumulate from several semesters.

The College's in-house effort to collect outstanding balances from students consisted of sending letters for the first two years. It was only after two years had elapsed (when the student was likely to have graduated) that delinquent student accounts were considered for referral to collection agencies. Waiting two years is unacceptable for a two-year college, especially when taking into consideration the College's dropout rate and low graduation rates (shown in Exhibit 8) for first-time students.

Our review also revealed that delinquent accounts had not been sent to collection agencies since 2008 because the Banner system did not have a debt collection module and to do so manually was overly time-consuming. When asked what made it time consuming, we were informed that prior to referring a student's semester balances for collection, the student's account had to be reviewed manually to ensure financial aid and student payments had been posted to the correct academic year.

Our review of past due reminder letters sent to students revealed that the College's written guidelines were not adhered to for 8 of the 14 students in our sample. We found that:

- one student's letter was sent more than three years after the student had an outstanding balance;
- four students' letters were not sent until two years after the students' accounts became past due;
- two students' letters were only sent after a year and a half had elapsed; and
- one student's letter was sent more than six months later.

With respect to the $1.9 million of delinquent student accounts receivable referred to the collection agencies in 2008, Student Financial Affairs ("SFA") did not have available data of the progress made by the collection agencies to collect from the students. Further, SFA had not formally reviewed the periodic status reports received from the agencies to gather this data or evaluate the effectiveness of the collection efforts. We also noted that the collection agencies' contracts were not being monitored to ensure compliance.

Our review of the procedures followed by SFA to record cash receipts from the collection agencies revealed several control weaknesses. We were advised that the collection receipt checks are sent directly by the collection agencies to SFA, along with a list of how to allocate the receipts to each student's account in Banner. The practice of sending the checks directly to SFA is poor internal control because SFA performs the billing function, which should be segregated from the receipt of cash. Payment by check instead of wire transfer increases the risk that checks can be lost, stolen or not deposited on a timely basis. Further, having to manually post cash collections from a paper list to each student's account in Banner is time consuming and increases the risk of posting errors. When we inquired about the availability of these lists for use in quantifying how much of the $1.9 million of delinquent student accounts receivable had since been recovered, we were advised that the lists were not retained once the information was entered in Banner.

<u>Review Recommendations:</u>

We recommend that the College:

a) adhere to its policy that does not permit students with past-due balances to register for new classes to help ensure that students' balances do not accumulate from several semesters;

b) modify the in-house collection policy to require that past due letters be sent automatically to all students with outstanding balances on a regularly scheduled basis and that the recordkeeping of such be improved;

c) review and analyze reports provided by the collection agencies, develop collection statistics and evaluate performance and trends. The status of all collection efforts should be formally reviewed by the executive level finance manager on a periodic basis; and

d) change the mode of payment used by the collection agencies from check to wire transfer and. until then, require that all checks be sent directly to the Bursar; only the list of student accounts to be updated in Banner should be sent directly to SFA.

<u>Review Finding (3):</u>

<u>Inadequate Segregation of Student Account Functions and the Lack of Audit Trails Resulted in an Unacceptable Internal Control Environment</u>

Our review revealed that the Assistant Vice President, ("AVP") for SFA is not only responsible for all student accounting transactions, but also the Bursar's Office and the Financial Aid Office. We were advised that this is because the AVP of SFA has the most knowledge and experience and also has a manager and staff in each of the three departments. However, we found that as the head of three departments the AVP performed too detailed a role in the daily operations and was relied on too heavily by staff and senior management. Combining these three functions under the direct control of one individual creates an inadequate segregation of duties for internal control purposes.

The lack of an adequate segregation of duties was further exacerbated since this individual also has "super access" to Banner and sole authority over most Banner transactions from start to finish, with virtually no regular independent oversight by management. Although audit trail data is imprinted in Banner, reports are not routinely generated to review all transaction activity. Further, the AVP of SFA is the backup signatory, in the absence of the College Treasurer, for the general student disbursement checking account and six other College bank accounts.

An example of the lack of segregation of duties being performed by the AVP was witnessed by the audit team during one of the Banner walkthroughs. The AVP was explaining what was being depicted on a Banner screen when we realized that the explanation we were given did not coincide with the notes entered in Banner by another user. The AVP agreed and in our presence, entered Banner and revised what had been entered by another employee. The AVP, as the senior manager of Banner operations, should not be able to enter or change any data in the Banner system; the manager of operations for any given system should not have anything more than viewer access to that system.

The Office of the New York State Comptroller has noted that “Segregation of incompatible duties is a commonly used and widely accepted internal control practice”[10]. As a general rule, the custody of assets, authorization of transactions affecting those assets and the recording of related transactions should be separated. For example, physical control over cash receipts and financial aid, the billing of tuition and any adjustments to student accounts, and the recording of transactions in Banner, the student accounting system, should be segregated. An inadequate segregation of duties combined with the College’s dependence on this one individual’s knowledge and experience is of concern because it does not foster an acceptable internal control environment. This employee also limited our access to the Banner System and to the managers and staff of the SFA, Bursar and Financial Aid Departments.

Internal Auditor

Toward the end of our field work, we noted that the Internal Auditor had recently been assigned to also perform Accounts Payable functions, which were previously performed by the unofficial Fiscal Officer. It is an improper segregation of duties for the Internal Auditor to perform operational functions because it compromises the independence of the internal auditor role.

When we inquired why the internal auditor was performing operational functions, we were told that the College’s unofficial Fiscal Officer who performed accounts payable had resigned. This individual was considered the unofficial Fiscal Officer because the Nassau County Civil Service Commission (“Civil Service”) would not let the College create a College Fiscal Officer title. We were told that this was because the County already has a Fiscal Officer title used in the County Comptroller’s Office. The College’s Accounts Payable function was transferred from the Nassau County Comptroller’s Office to the College in September 2011 and is performed by College employees.

Review Recommendations:

We recommend that the College:

a) reassign roles and responsibilities to ensure incompatible key tasks and functions are segregated. No one person should be in charge of, or have full unsupervised daily control over, the custody of assets, the authorization of transactions affecting those assets and the recording of the related transactions. For example, consideration should be given to:

   i. moving the Bursar function from SFA to the College Treasurer’s Office and requiring that, when the College’s mail is opened, all cash receipts be sent directly to the Bursar, not to the Departments;

   ii. reassigning the function for the Banner System (i.e. updating or authorizing changes to tables, schedules etc.) to an employee who is independent from the SFA Department;

[10] Division of Local Government and School Accountability, *The Practice of Internal Controls*, Local Government Management Guide, Office of the New York State Comptroller. http://www.osc.state.ny.us/localgov/pubs/lgmg/practiceinternalcontrols.pdf (page 3).

iii. removing the AVP of SFA from the authorized bank signature list on all bank accounts and delegate the function of the backup signatory for the College Treasury to an employee who is independent from the SFA and Bursar Departments; and

iv. rescinding the AVP of SFA's super access to Banner. As the senior manager of Banner operations, this individual should only have review access. Further, all other security profiles for Banner should be reviewed to ensure that no one individual within SFA has the authority to do everything without independent managerial oversight.

In addition, the internal auditor should not be involved in performing daily operational functions because it negatively impacts the independence of the internal auditor role, even if the reason is to temporarily fill a vacant position.

b) hire and/or train employees to obtain/improve the knowledge and skills required to delegate the responsibility for incompatible key functions to more than one individual.

c) develop audit trail data to improve the oversight of transaction activity in Banner; and

d) work with Nassau County Civil Service to obtain a College Fiscal Officer title.

Review Finding (4):

Weaknesses and Errors in Course Registration Allowed Students with Past Due Balances to Register for New Classes and Accumulate More Debt

Our testing revealed that students with past due balances were allowed to register for new classes and incur more debt, resulting in situations where the students' balance accumulated from several semesters. We found that this was because the Banner "Deregistration Process" was not enforced in all cases and the Banner "Bursar Hold" was not removed consistently and not imposed.

Banner has a deregistration process that will cancel a student's course registration prior to the start of the semester when a student has not paid his/her tuition and fees. Although this function is considered automatic, we found that its benefit as a control was compromised. Based on a student's circumstances and pending transactions, the AVP of SFA may elect, on an individual basis, to exclude the student from the Banner deregistration. For example, students may not be deregistered because they need additional time to pay their tuition. This practice overrides the deregistration control and increases the risk that the College will not be paid.

In addition, the Banner system's Bursar's Hold is supposed to be entered on a student's account to prevent a student from registering for another semester when he/she has not paid outstanding tuition and fees. For example, a student can pay on an installment basis and default on one or more of the payments.

The Bursar Hold also serves another control purpose; it notifies a third party vendor that a transcript should not be issued to the student until the outstanding balance is paid in full. However a student who drops out or does not graduate will likely not request a transcript. As discussed in Finding (12), NCC's graduation rate is low.

We noted several major control deficiencies with respect to use of the Bursar Hold:

- There are no system security controls that designate which employees are permitted to enter and/or release Bursar Holds, and no audit trail of the users who enter or release holds.

- A student may be exempted from a Bursar Hold. When asked for the written policy to define the criteria that must be met to qualify for being exempt, the College responded that a written policy did not exist.

- An audit trail does not exist that would enable the College to identify and follow up on cases where the Bursar Hold should have been placed on an account or was released from an account.

- We were unable to verify that transcripts were not sent to students with outstanding balances.

We identified 21,571 students who owed a combined balance of $12,444,380 in unpaid tuition and fees as of August 31, 2011. Further analysis revealed that $1,525,985 or 12% of the total was owed by 1,292 students (6%) who had accumulated debt over two or more semesters.

We selected 20 of the 1,292 students (1.5%) for review, seven of who owed debts for four semesters, eight who owed for three semesters and five who owed for two semesters. Collectively, the 20 students owed a total of $117,358 in tuition and fees; their individual debts ranged from $2,520 to $10,696.

We determined that six of the students subsequently satisfied their outstanding debts and the tuition owed for three other students was expected to be received from third party sources. The balances that accumulated for another three of the 20 students were the result of the reversal of financial aid after the completion of the semesters in question. The documents provided to us showed that the College could not have anticipated the reversal of financial aid.

Our review of the remaining 8 student accounts or 40% of the sample, which had a combined outstanding tuition balance of $ 48,248 as of August 31, 2011, revealed the following issues with the application of Bursar Holds:

- One student had an outstanding balance, but a Bursar's Hold had not been placed on the student's account. As a result, the student was able to register for the next semester and again did not pay the tuition. The College could not provide documentation to show why a Bursar Hold was not placed on the student's account. As of August 31, 2011 the student owed $7,389.

- Two students were veterans; Bursar Holds were not placed on their accounts because SUNY Policy requires that colleges defer tuition for veterans who expect a third party to pay their tuition. In one case, the third party directly reimbursed the student veteran and in the other case, the third party only paid a portion of the tuition. The students did not pay the College and were able to register and attend more semesters. As of August 31, 2011, the two students owed a combined total of $13,864.

- Four students had Bursar Holds placed on their accounts; however, the Bursar Holds were subsequently released even though the students still had outstanding balances. The students were able to register for more classes and increased their outstanding balances. As of August 31, 2011, the students owed a combined total of $20,583.

- One student was allowed to pay his tuition nine months after the semester started with a personal check. The Bursar Hold was removed from the student's account thereby allowing the student to register for the current semester. After the student started classes, the check was returned for insufficient funds. The College does not have a policy restricting the form of payment for late payers. As of August 31, 2011 the student owed the College $6,412.

Review Recommendations:

We recommend that the College develop written Deregistration and Bursar Hold policies and procedures to:

a) define the criteria that must be met and the approval that must be obtained before a student is exempted from the deregistration process and/or the Bursar Hold or before a Bursar Hold can be removed;

b) require the retention of the supporting documentation and approvals for all exemptions and releases;

c) require that the current system access controls be changed so that unique user IDs and passwords are established for each employee who is granted access to apply and/or release Bursar Holds. The College should ensure that transaction level audit trail data is generated when employees enter Bursar Hold transactions;

d) generate control reports to review potential error situations such as student accounts with outstanding balances, but no Bursar Hold, and student accounts where the Bursar Holds were released, to ensure the releases were authorized. Such reports should be reviewed and signed off by the appropriate level manager and retained for audit trail purposes; and

e) consider expanding the College's policy with respect to when payment by check is no longer permitted, to situations where outstanding balances are paid after the semester has ended. For example, when a student submits payment of tuition after the semester has ended, the student should only be allowed to pay and register for the next semester with a money order or by credit card.

Review Finding (5):

Non-Collection of Application Fees during the Admission Process Resulted in the Loss of $237,000 in Revenue

Our review revealed that the process to assess and collect application fees was poorly designed and controlled and led to processing errors, the inefficient use of resources and uncollectible accounts receivable of $237,040 as of August 31, 2011. The applications were processed for the 2009/2010 and 2010/2011 academic years. Application fee revenue in 2010 and 2011 totaled $850,530 and $857,440 respectively.

Our data analysis revealed that the uncollected application fees of $237,040 represented charges to 5,849 applicants who applied but did not enroll at the College for the 2009/2010 and 2010/2011 school years and did not pay the application fee. We believe that the likelihood of never collecting these fees is high because the students did not enroll. We also found that 77 of the 5,849 applicants were incorrectly charged the application fee twice. A detailed review of 35 of the 77 applicants revealed four of them were incorrectly charged the application fee three times. We also noted one student had been incorrectly charged the application fee four times, which resulted in an overcharge to the student account of $120.

College policy requires all new prospective students to submit an application and pay an application fee[11]. Our review of the College's procedures revealed weaknesses that hindered the proper assessment and collection of application fees, as follows:

- The College will still process the student application when the fee is not paid, deferring the payment of the application fee until the tuition payment is due. This practice does not take into consideration that the student may not enroll and thus a tuition payment would not be due. Further this practice results in process inefficiencies stemming from the use of college resources, which are limited, to process these applications, essentially for free.

- The requirement to pay an application fee is not mentioned on the application. This increases the chances that an applicant will submit the application without paying the fee.

- The students are directed to send the application form to the Office of Admissions whereas the application fee is to be sent to the Bursar's office. This creates confusion and makes it more difficult to determine that an application fee was received for each application submitted.

- Unlike tuition and all other fees, the submission of the student application and the payment of the application fee are not web enabled. In addition, Banner does not automatically charge the application fee to the student's account. Instead, the entire process is manual; and

[11] An application fee will be assessed again if/when a student reapplies after not attending the College for a year.

- Both the Admissions Office and the Registrar Office are responsible for charging the application fee to the student's account. This creates confusion and adequate controls are not in place to address human errors such as charging a student's account more than once for the application fee.

Review Recommendations:

We recommend that the College develop an online application process that will allow applicants to complete and submit the application and pay the application fee at the time of processing.

Until the College develops the online application, we recommend that the College revise its admissions practices and instructions and develop controls to ensure that:

a) student applications are only processed after the application fee has been received. Applications submitted without the fee should be set aside and returned to the applicant;

b) application fees are only assessed by the Office of Admissions; and

c) the manual assessment of the application fee is performed correctly. Consideration should be given to developing a control report which displays student accounts charged with more than one application fee for review and follow-up.

Review Finding (6):

Inaccurate Assessment of Course Fees was Uncovered

Course fees were not always charged to student accounts in accordance with the Tuition and Fee Schedule approved by the College Board and the Nassau County Legislature. As a result, student accounts were sometimes over/under charged.

Tuition and fee rules for each academic year are set up in Banner to automatically charge students' accounts[12]. Tuition is based on the number of registered credits[13]. Course fees include activity/laboratory/material fees, technology fees and other special course fees. Depending on the courses taken, course fees can range between $10 and $1,700.

We reviewed 100 student accounts from five different semesters (Fall 2009 - Spring 2011) and found that course fees were not properly charged for 6 of the 100 students' accounts. The six students were undercharged a combined total of $208.

When asked why the errors occurred, the College advised that:

- Banner had not charged the fees in accordance with the fee rules and the College would have to research the problem;

[12] There is one exception. The application fee is not automatically charged by Banner and must be entered on the student's account manually. Application fees are discussed separately in this report.

[13] Part-time students (less than 12 credits) are charged on a per credit basis and full-time students (12 credits and above) are charged a flat tuition rate.

- manual fee adjustments were sometimes responsible for the errors; and/or
- there was no explanation.

Review Recommendations:

We recommend that:

a) a review of Banner's fee assessment process be performed to determine why the charges identified during the audit were not assessed properly by Banner and corrective action be taken; and

b) a control report should be designed to identify when student accounts are missing fee charges.

Review Finding (7):

Untimely Chargeback Billing to Other Counties Totaled $9.4 Million

Our review determined that the College did not always bill outside counties on time for their portion of nonresident tuition and that the College had not remitted approximately $435,000 of the County's portion to the County as of August 24, 2012.

Students residing within the County are charged a resident tuition fee, whereas all other students are charged both a resident and a non-resident tuition fee. The College is required to bill the outside counties for the non-resident tuition within 45 days of the commencement of each academic term. The chargeback revenue received from the other counties is separated into two components, an operating portion and a capital portion. The College retains the operating portion and remits the capital portion to the County[14].

We selected the chargebacks billed to Queens County for six semesters (Spring 2010-Summer 2011) totaling $9.9 million for review and determined the following:

- The College did not bill Queens County within 45 days of the commencement of each academic term for five of the six semesters reviewed. The amount billed late totaled $9.4 million and the late billing timeframes ranged from 50 to 147 days.
- The County's capital share of the $9.9 million chargebacks totaled $847,000. The College paid the County its share in eight payments; however, five of the eight payments totaling $540,000 were not remitted to the County in a reasonable amount of time. The number of days between the date the College received the capital portion and the date the College paid the County ranged between 78 and 164 days. As a result, the County lost the use of these funds.

We performed additional analyses to determine if all capital chargeback revenue received by the College between the Fall of 2011 and the Summer of 2012 for all outside counties was remitted

[14] Article 126 of New York State Education Law, § 6305 (2) and (4).

to the County. We found that $1.27 million of capital chargeback revenue was received by the College in 2012, but only $835,000 was remitted to the County.

The College Comptroller confirmed that $435,000 of 2012 capital chargeback receipts had not been paid to the County even though the College received these funds from outside counties as far back as May, 2012. This was because the College claimed it had not received other unrelated revenue it determined was due from the County. The College Comptroller does not have the authority to make such a unilateral decision. This matter was discussed with College officials and the $435,000 was included in the October 2, 2012 payment to the County.

Review Recommendations:

We recommend that the College review and revise its chargeback procedures to ensure that:

a) outside counties are charged for the non-resident tuition fees within 45 days of the start of the semester;

b) the capital portion of the non-resident tuition fees received by the College is remitted to the County upon receipt; and

The College should not unilaterally hold back County revenue pending receipt of unrelated revenue due from the County.

Payroll

Review Finding (8):

Inadequate Controls Over Faculty Scheduling Led to Overlapping and Unauthorized Work Hours

Our review revealed that a comprehensive control does not exist to ensure that educational employees who are permitted by their contract(s) to work multiple positions only work the schedules set forth in their contracts and that overlapping of work hours is prevented. As a result, we found that employees were sometimes paid for more than one position even though the day and time worked overlapped. We also noted instances where employees worked different hours than what was stated in their contract or were scheduled to teach classes in different locations back-to-back, shortchanging students' class hours.

NCC has 1,338 employees who work under two or more positions, many of whom work full-time and part-time, and others work multiple part-time positions. Our review revealed that adequate internal controls were not in place to ensure that employees only worked multiple positions when allowed by their contract(s) and the class schedules were approved by the College to ensure that overlapping work hours were not scheduled or worked. The following weaknesses were identified:

- The Program Schedule ("Schedule") form that is completed by professional and instructional faculty was no longer required to be reviewed and approved by the Dean of

Academic Affairs, even though the instructions required the approval. The Schedule includes the employee's name, title, signature, office location, semester/year and the assigned hours. A space is also designated on the Schedule for the approval by Dean of Academic Affairs. When asked why the approval is no longer required, we were advised that the Schedule is mainly used to inform the Department Chairs of the office hours and locations for their faculty and to check that the faculty member is scheduled for the required number of office hours. We were told that in the past, the Schedule had been used to evidence that work schedules were accurately prepared in compliance with the applicable labor contracts.

- The procedure to enter professional and instructional faculty work schedules in Banner to detect the scheduling of overlapping work hours does not apply to all positions an employee can perform. For example, we were advised by the College Payroll Department that the Technical Assistant positions are not entered in Banner; these positions are managed at the department level. As a result, the scheduling of overlapping work hours will not be detected by Banner when one or more of positions are not entered in Banner.

- The College does not have an automatic process to identify educational employees with multiple positions who worked overlapping hours; hours worked by employees with multiple positions are tracked manually through the use of timecards.

We reviewed a sample of payments made to 41 of the 1,338 educational employees who worked multiple positions during the audit period to determine that the employees were approved for the positions they worked and were paid for and did not work overlapping hours. The supporting documentation requested included daily approved work schedules, time cards and time sheets, and approved contracts. Our results are as follows:

- We determined that 23 of the 41 employees held professional or instructional positions and were therefore required to complete the Schedule. The College was unable to provide the Schedule for one of the 23 employees; and none of the 22 schedules provided were signed by the Dean of Academic Affairs.

- The College could only provide an unsigned copy of a faculty member's contract. An unsigned contract does not adequately evidence that the contract was approved and payments to the employee were proper.

- An employee was paid under an outdated instructional contract causing the employee to be overpaid $50 during the pay periods included in our testing scope. The contract had been modified twice; however, the College paid the employee under the first modification. The first contract required the employee to teach a total of 16 hours at $50/hour for a total of $800, while the adjusted contract was amended requiring the employee to teach 15 hours at $50/hour for a total of $750. We did not audit all pay periods to determine the total overpayment that may have occurred.

- Five of the 41 employees worked overlapping hours on the same day. For example, as shown in Exhibit 3, one employee worked as an Adjunct Professor from 1:00 PM - 3:15 PM and also as a Coordinator of Testing from 8:35 AM - 2:20 PM on the same day.

Exhibit 3

Overlapping Hours			
	Position Title	**Dates**	**Time**
Position 1 Position 2	Adjunct Professor Coordinator of Testing Part-time	March 25, 2010	1:00PM-3:15PM 8:35AM-2:20PM
Position 1 Position 2	Instructor Instructor Office Hours	August 19, 26, 2010 September 9, 16, 22, 2010	8:30AM-9:45AM 9:30AM-10:45AM
Position 1 Position 2	Professor Teaching Substitute	October 11, 2010	8:00AM-12:15PM 9:30AM-10:45AM
Position 1 Position 2	Grant Technician P/T Assistant to Director P/T	April 14, 21, 2010	10:00AM-11:00AM 8:30AM-11:00AM
Position 1 Position 2	Professor Teaching Substitute	May 4, 2010	2:30PM-3:45PM 2:30PM-3:45PM

- Two of the 41 employees worked different hours than what was stated in their contracts. As shown in Exhibit 4 below, one of the two employees worked more hours than shown in the contract; the employee worked 13 hours per week, whereas, only five hours per week were authorized in the contract. Working different days or times from those scheduled in the contract circumvents the Banner control to identify overlapping of scheduling and increases the risk that an employee will be overpaid.

Exhibit 4

Schedule Worked Disagreed with Schedule per Contract		
Assignment/ Position	Scheduled Work Hours Per Contract	Schedule Worked Per Timesheet
Assistant to Director P/T	Wed: 10:00AM-12:00PM Thurs: 11:30AM-2:30PM	Thurs: 11:30AM- 3:30PM Friday: 8:30AM-12:30PM or Mon: 8:30AM-12:00PM Wed: 9:00AM-10:30AM
Assistant Professor Overload	10:00AM-11:30AM	9:30AM-10:45AM

- Classes were scheduled back-to-back with no time intervals for the teaching faculty member to pack up his/her materials, get to the next class and set up again. This shortens the amount of instruction time for either one or both of the classes. As shown in Exhibit 5 below, we found that 5 of the 41 employees had at least one occurrence of a back-to-back class schedule with no intervals between them, and for two of the employees the classes were located in different buildings.

Exhibit 5

Back to Back Scheduling of Assignments		
	Schedule Times	Location
Assignment 1 Assignment 2	8:00AM-2:00PM 2:00PM-2:30PM	D123 Office Hours
Assignment 1 Assignment 2	8:00AM-3:15PM 3:15PM-5:15PM	K-11 K-1
Assignment 1 Assignment 2 Assignment 3	2:00PM-4:00PM 4:00PM-8:00PM 8:00PM-10:00PM	B109 355 East Road Unidentified Location
Assignment 1 Assignment 2	9:30AM-11:00AM 11:00AM-12:20PM	F2266 GC55
Assignment 1 Assignment 2	2:00PM-3:30PM 3:30PM-9:00PM	G176 G178

Review Recommendations:

We recommend that the College:

a) consider revising its current practice so that the Dean of Academic Affairs is required to approve the Faculty Program Schedule and the approval is evidenced by a signature;

b) develop an effective procedure to ensure employees with multiple positions are not scheduled or paid for the same hours in different departments;

c) develop an effective procedure to detect employees who work outside of their scheduled contract hours and revise the employees' contracts and the schedules entered in Banner accordingly; and

d) review class scheduling practices to ensure time is built in for instructors to get from one class to another when both classes are taught by the same instructional employee.

Review Finding (9)

Coding Error Resulted in a $10,743 Erroneous Payment to an Associate Professor

Our testing revealed that an Associate Professor who worked multiple positions was erroneously paid $10,743 for a position not worked and the College Payroll Department was unaware of the overpayment prior to the audit.

The College Payroll Department could not find the contracts for an employee included in our test sample of 41 employees paid for more than one position. This individual was paid for three different positions: Associate Professor, Adjunct Professor and Associate Professor Overload (Chairperson of Evening Supervision). When no contracts could be found, follow up work performed by the College Payroll Department determined that this employee was erroneously scheduled to be paid for the Adjunct Professor position due to a Banner coding error.

We were advised that although the College Payroll Department had detected the Banner coding error prior to the audit, the follow up action taken at the time did not extend to correcting NUHRS (the County payroll system). As a result, the employee was overpaid anyway. The lack of a review to ensure that errors are properly corrected led to the overpayment. The College Payroll Department only became aware of the error when gathering the documentation requested for the audit. The total overpayment amounted to $10,743. The College pursued the employee to obtain reimbursement of the entire amount.

Review Recommendations:

We recommend that the College Payroll Department revise its procedures to ensure that all educational contracts are verified and errors are corrected before authorization for payment is made. For example, the results of the verification should be properly communicated to all employees involved in the payment process so that all the appropriate corrective actions are taken when necessary. In addition, all errors should be reviewed to ensure the corrections were processed timely and accurately.

Review Finding (10):

The County's InTime System was not Implemented; Manual Time and Leave Practices Require Improvement

The College has not implemented the InTime[15] System that the County implemented in 2008.

[15] The InTime System automates timekeeping. Employees are required to swipe in and out each day, and tardiness, absences and leave requests are entered in the system; required information is interfaced to NUHRS.

As a result, the College is still using timesheets and timecards to record attendance, tardiness and absences. Leave slips must be manually prepared, approved and entered into NUHRS.

Our testing revealed that employee time and leave was not always properly documented, tracked and approved in accordance with the Labor contracts and College policy. Out of 644 employees who used some type of leave in 2011, we testing a sample of the time and leave records for 43 employees. We found exceptions with the records for 28 of the 43 employees as follows:

- Leave requests were missing and leave time taken was not posted to NUHRS correctly; sometimes, the leave time was not posted to NUHRS at all. Further, Plant employees would only specify time not worked on their timesheets instead of the hours actually worked. We also noted cases where the timekeeper initials were missing.

- Employee tardiness was not charged against the appropriate leave category once it reached ¼ of a day. We found instances where tardiness was first being charged to sick time instead of vacation time, when vacation leave was still available. In addition, tardiness was not being charged to an employee’s leave balance until it reached ¾ of a day.

- Two employees did not have doctor’s notes to support their paid sick leave. One employee had taken 34.5 sick days and the other had taken 57.5 sick days.

- The required approval of the Department Head/President was not available for one of the four employees who received sick leave half pay during the audit period and the employees’ request for this type of leave was missing for two of the four employees.

<u>Review Recommendations:</u>

We recommend that the College automate its time and leave process by implementing the InTime System. Until the College implements the InTime System, we recommend that corrective action be taken to ensure that:

a) timesheets are prepared and signed by employees, initialed by the timekeepers and approved by their supervisors;

b) employees in the Plant Department record the time in and out daily;

c) leave request forms are used properly to record leave usage and its approval;

d) charges against employees’ leave accrual records are accurately recorded in NUHRS;

e) tardiness is first charged against an employee’s vacation leave entitlements when it accumulates to ¼ of a day; and

f) documentation and approvals are obtained and retained as required for sick leave and sick leave half pay.

Review Finding (11):

Overtime Controls Need Improvement #

We found that overtime cost controls could be improved. College cash and compensatory overtime totaled $1.3 million in 2011.

Our testing of employee records revealed that the amount of overtime worked sometimes exceeded the amount approved. We found other instances where the approvals for overtime worked were not obtained until after the work was done. In addition, the start and end times were not always entered on the employee timesheets to corroborate the time worked. We also noted that some employees were allowed to earn between 8 and 20 overtime hours per day.

Review Recommendations:

We recommend that:

a) all employee overtime be pre-approved in writing by management; and

b) the start and end times be recorded to substantiate the hours worked.

Comparative Analysis

We obtained data for three other community colleges for comparison to the College's financial data, student population, staffing levels and graduation rates. The three colleges selected for purposes of this comparison were Suffolk Community College, Monroe Community College and Westchester Community College. All information obtained was summarized in Exhibits 6 - 9 on pages 23-29.

The data was taken from the State University of New York ("SUNY") Community College Annual Reports for the fiscal year ending August 31, 2011, Community College Operating Budgets for 2010/2011 and 2011/2012 and the College Navigator Website[16] for student-to-staff ratios and graduation rates.

Our analysis revealed the following:

- As shown in Exhibit 6:
    - Total student enrollment was very close at three of the colleges: 33,069 at Nassau Community College, 32,749 at Suffolk Community College and 31,731 at Monroe.
    - Suffolk Community College's tuition and fees were $6.4 million higher than the College for the 2010/2011 academic year, even though there was not a significant difference in student enrollment. The disparity is primarily due to Suffolk County's higher fees.
    - The College's staffing levels are the highest of the four colleges and are 38% higher than the staffing levels at Suffolk Community College. This is partially due to its lower student to teacher ratio (see Exhibit 8).
- The expense data in Exhibit 7 indicates that Nassau Community College's administrative and general expenses were the highest when compared to the other three colleges. The College's total was $56 million, followed by Suffolk at $52 million, Monroe at $41 million and Westchester at $27 million.
- As shown in Exhibit 8:
    - The dropout rate[17] for first time full time students who entered the College in 2010 was 29%. This percentage was even higher for the other three colleges in the comparison: 43% at Monroe Community College, 38% at Westchester Community College and 35% at Suffolk Community College.
    - The combined graduation and transfer rate for first time students who entered the four colleges in 2008 was 23% and second lowest when compared to the four colleges.

[16] http://nces.ed.gov/collegenavigator/
[17] The dropout rate was calculated using the inverse of the retention rate for full time students as shown in Exhibit 8.

The highest rate (46%) was for Monroe Community College with 27% at Suffolk Community College and 19% at Westchester Community College.

- The budget data shown in Exhibit 9 revealed that the 2011/2012 budgeted net operating costs per student was $1,302 higher at the College than at Suffolk Community College.

Exhibit 6

Tuition and Fees, Staffing Levels and Student Population

	Actual Results For the Fiscal Year Ending August 31, 2011 *			
TUITION & FEES	**Nassau**	**Suffolk**	**Monroe**	**Westchester**
Student Tuition	$ 80,805,989	$ 83,448,668	$ 53,414,838	$ 48,541,294
Student and Service Fees	5,963,338	11,016,031	5,647,349	939,275
Non-Resident Tuition and Charges	2,427,741	1,141,909	955,413	1,475,167
Total Tuition and Fees	**$ 89,197,068**	**$ 95,606,608**	**$ 60,017,668**	**$ 50,955,736**
FTE STAFFING LEVELS				
FTE Teaching Faculty- Full Time	598	326	341	161
FTE Teaching Faculty-Part Time	509	394	412	594
FTE Teaching Faculty-Support Staff	668	376	72	137
FTE All Other Staff	467	529	582	338
Total FTE Staffing	**2,242**	**1,625**	**1,407**	**1,230**
STUDENT ENROLLMENT				
Fall Full Time Students	15,906	15,985	12,195	7,549
Fall Part Time Students	7,562	10,734	12,434	6,345
Summer	9,601	6,030	7,102	5,015
Total Student Enrollment	**33,069**	**32,749**	**31,731**	**18,909**
TUITION RATES				
Full Time - Annual	**$ 3,732**	**$ 3,776**	**$ 3,000**	**$ 3,850**
Part Time - Per Credit	**$ 156**	**$ 158**	**$ 125**	**$ 161**

* Data obtained from SUNY Community College Annual Reports for the 2010/2011 school year.

Exhibit 7 - Summary of Expenses

Exhibit 7 was prepared to summarize expenses for the purpose of comparing the College's general and administrative expenses to the other 3 colleges in our analysis.

General and Administrative expenses encompass a variety of expenses associated with performing the daily operations. These expenses generally appear under operating expenses. We found no such grouping for the financial information for the community colleges. The Expenses by Function section shown in Exhibit 7 provided the data nearest to identifying general and administrative expenses.

Based on our analysis of the statewide data, we determined that general and administrative expenses include the following captions: General Administration, General Institution Services and Plant Operation. The nature of the expenses in each caption has four basic components: Personal Services (Salaries), Equipment, Contractual Expenses and Employee Benefits.

Exhibit 7

Actual Results
For the Fiscal Year Ending August 31, 2011 *

	Nassau	Suffolk	Monroe	Westchester
Expenses by Function				
Instruction	$ 113,771,838	$ 91,744,933	$ 52,741,018	$ 59,274,511
Academic Support	13,957,664	19,295,551	12,877,575	11,047,389
Student Services	15,591,396	17,782,978	13,738,419	12,599,595
General Administration	13,282,470	10,301,142	8,589,827	7,108,847
General Institutional Services	13,451,126	13,927,370	13,397,362	6,109,578
Operation & Maintenance of Plant	29,699,228	27,696,468	19,144,116	13,709,068
Other	54,900	0	333,608	68,776
Total Expenses by Function	**$ 200,271,091**	**$ 180,748,442**	**$ 120,821,925**	**$ 109,917,764**
Expenses by Object				
Personal Service	$ 127,525,387	$ 114,362,260	$ 65,807,989	$ 64,819,446
Equipment	1,758,853	3,646,292	2,773,720	850,137
Contractual Expenses	22,430,880	20,075,109	19,286,405	16,725,697
Employee Benefits	48,555,971	42,664,781	32,953,811	27,522,484
Total Expenses by Object	**$ 200,271,091**	**$ 180,748,442**	**$ 120,821,925**	**$ 109,917,764**

* Data obtained from SUNY Community College Annual Reports for the 2010/2011 school year.

Exhibit 8

Student to Faculty Ratios and Retention and Graduation Rates

Other Statistics
According to the National Center for Education Statistics - College Navigator *

Student to Faculty Ratio for the Fall 2011

	Nassau	Suffolk	Monroe	Westchester
	17:1	**25:1**	**24:1**	**20:1**

Retention Rates for First Time Students Who Entered the Program in 2010

	Nassau	Suffolk	Monroe	Westchester
Full Time	**71%**	**65%**	**57%**	**62%**
Part Time	**57%**	**44%**	**36%**	**49%**

Graduation Rates for First Time Students Who Entered the Program in 2008

	Nassau	Suffolk	Monroe	Westchester
% of Students Counted in Calculating Graduation	66%	51%	65%	51%
Overall Graduation Rate	**14%**	**19%**	**25%**	**11%**
Transfer-Out Rate	**9%**	**8%**	**21%**	**8%**

***** Data obtained from [http://nces.ed.gov/collegenavigator]

Exhibit 9

Approved Budgets

	Approved Budgets (thousands)							
	Nassau Community College		Suffolk Community College		Monroe Community College		Westchester Community College	
	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012
Revenues								
Tuition Revenue and Fees	$77,827	$83,394	$84,970	$92,283	$55,581	$57,523	$45,983	$48,838
Sponsors Contribution	52,207	52,207	38,603	38,989	16,680	17,880	23,315	23,651
Total State Operating Aid	44,268	41,456	45,492	44,430	38,390	36,158	31,897	29,359
Out-of-County Tuition Revenues	11,511	11,403	306	306	2,013	2,409	4,140	4,151
Other Revenue-Offset to Expense	10,229	10,394	12,901	14,963	6,640	6,693	4,799	5,100
Out-of-State Tuition Revenues	1,561	1,546	710	724	968	1,007	1,500	1,810
Other Revenue - In-Lieu	1,306	1,296	607	617	132	87	504	344
Federal Aid	250	250	135	174	-	-	-	-
Applied Fund Balance	3,788	1,000	1,595	-	3,376	2,023	605	-
Total Revenues	**$202,947**	**$202,946**	**$185,319**	**$192,486**	**$123,780**	**$123,780**	**$112,743**	**$113,253**
Costs by Function								
Instruction	$107,629	$105,223	$94,767	$97,598	$51,788	$53,200	$60,199	$60,932
Institutional Support	35,053	39,332	24,380	24,989	22,048	22,041	13,749	13,621
Maintenance & Operation of Plant	29,274	28,959	28,986	31,245	21,652	20,920	13,638	13,855
Student Services	16,218	16,476	18,155	18,615	14,306	14,162	13,544	13,420
Academic Support	14,256	12,450	19,031	20,039	13,655	13,060	11,548	11,358
Public Service	462	451	-	-	331	397	65	67
Scholarships & Fellowships	55	55	-	-	-	-	-	-
Total Costs by Function	**$202,947**	**$202,946**	**$185,319**	**$192,486**	**$123,780**	**$123,780**	**$112,743**	**$113,253**
Costs by Object								
Personal Service	$129,410	$127,638	$115,972	$118,817	$67,552	$67,097	$66,887	$65,466
Employee Benefits	47,482	50,353	43,440	47,840	32,593	35,428	27,240	28,861
Contractual	24,455	22,572	23,789	23,585	21,848	19,753	17,809	18,261
Equipment	1,600	2,383	2,118	2,244	1,787	1,502	807	665
Total Costs by Object	**$202,947**	**$202,946**	**$185,319**	**$192,486**	**$123,780**	**$123,780**	**$112,743**	**$113,253**
Net Operating Costs	**$192,468**	**$192,302**	**$172,282**	**$177,349**	**$112,425**	**$112,087**	**$107,944**	**$108,153**
Budgeted FTE Enrollments	**19,509**	**19,605**	**21,019**	**20,848**	**16,643**	**16,181**	**13,400**	**13,100**
Net Operating Costs/FTE Student								
Student Tuition Revenue	$3,989	$4,254	$4,043	$4,426	$3,340	$3,555	$3,432	$3,728
Local Share	3,608	3,440	1,990	1,950	1,108	1,137	2,244	2,287
State Operating Aid	2,269	2,115	2,164	2,131	2,307	2,235	2,380	2,241
Net Operating Costs/FTE Student	**$9,866**	**$9,809**	**$8,197**	**$8,507**	**$6,755**	**$6,927**	**$8,056**	**$8,256**
Full-Time Resident Tuition Rate	**$3,732**	**$3,990**	**$3,776**	**$3,990**	**$3,000**	**$3,060**	**$3,850**	**$4,150**

Appendix B –Multi-Year Financial Plans

FISCAL 2012–2015 MULTI-YEAR FINANCIAL

APPENDIX D

NASSAU COMMUNITY COLLEGE
Fiscal 2012-2015 Multi-Year Financial Plan

	2011 Projected	Adopted 2012 Budget	2012 Projected	2013 Projected	2014 Projected	2015 Projected
OPERATING EXPENSES:						
Salaries	131,280,322	127,638,123	127,638,123	133,073,769	139,328,236	146,294,648
Fringe Benefits	48,125,099	50,352,721	50,352,721	56,396,235	59,780,009	63,366,810
Equipment	1,500,000	1,500,000	1,500,000	1,500,000	1,545,000	1,591,350
General Expenses	8,575,000	8,575,000	8,575,000	8,575,000	8,832,250	9,097,218
Contracual	6,650,000	5,350,000	5,350,000	5,350,000	5,510,500	5,675,815
Utility Costs (Telephone & Other)	1,575,156	1,575,156	1,575,156	1,888,162	1,944,807	2,003,151
Utility Costs (LIPA)	4,200,000	4,700,000	4,700,000	5,138,000	5,394,900	5,664,645
Interfund Charges	3,200,000	3,200,000	3,200,000	3,328,000	3,494,400	3,669,120
Other	55,000	55,000	55,000	55,000	55,000	55,000
Total Operating Expenses	205,160,577	202,946,000	202,946,000	215,304,166	225,885,102	237,417,756
% growth				106.1%	104.9%	105.1%
OPERATING REVENUES:						
Investment Income	200,000	200,000	200,000	200,000	200,000	200,000
Rents & Recoveries	950,000	400,000	400,000	400,000	400,000	400,000
Revenue Offset to Expenses	4,188,000	4,188,000	4,188,000	4,188,000	4,188,000	4,188,000
Service Fees	5,651,000	5,851,000	5,851,000	5,851,000	5,851,000	5,851,000
Student Revenues	78,143,682	83,393,727	83,393,727	83,393,727	83,393,727	83,393,727
Revenue in Lieu of Spons Share	14,400,000	14,000,000	14,000,000	14,000,000	14,000,000	14,000,000
Federal Aid	250,000	250,000	250,000	250,000	250,000	250,000
State Operating Aid- Base Rate + $100,000 HighNeeds	43,645,454	41,013,015	41,013,015	41,013,015	41,013,015	41,013,015
State Rental Aid (50% assumption)Endo	443,571	443,375	443,375	443,375	443,375	443,375
Property Taxes	52,206,883	52,206,883	52,206,883	52,206,883	52,206,883	52,206,883
Fund Balance	2,188,000	1,000,000	1,000,000	1,000,000	0	0
Total Operating Revenue	202,266,590	202,946,000	202,946,000	202,946,000	201,946,000	201,946,000
Operations Gain (Loss)-(Baseline Operating Results)*	(2,893,987)	0	0	(12,358,166)	(23,939,102)	(35,471,756)

* The Baseline Operating Results for future years is before the recognition of the impact of increased enrollment, State Aid, Sponsor Support, Tuition or other revenue enhancement or cost savings measures.

Current Assumptions: (in Body)	2011	2012		2013	2014	2015
Enrollment Increase	2.378%	0.000%		0.000%	0.000%	0.000%
# FTE's (2010 ~ 19,392)	19,853.0	19,853.0		19,853.0	19,853.0	19,853.0
State Aid per FTE	2,260	2,122		2,122	2,122	2,122
Increase in FT Tuition	110	258		0	0	0
FT Tuition	3,732	3,990		3,990	3,990	3,990
Prop Tax Increase	0	0.00%		0.00%	0.00%	0.00%

Nassau County Office of Management and Budget
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FISCAL 2013–2016 MULTI-YEAR FINANCIAL

APPENDIX D

NASSAU COMMUNITY COLLEGE
Fiscal 2013-2016 Multi-Year Financial Plan

Note: Gap closers on this page are hypothetical and reflect amounts which may or may not materialize or amounts that will be different than reflected based on administrative decisions at the time budgets are prepared for the years reflected.

A significant savings has already been attained from Cost Cutting for the 2011,12 and 13 budgets ($7.1M, $5.8 M and $8.0M respectively) All of which were permanent cuts and are shown in the body of this plan for all years on page 1.

			2014 Projected	2015 Projected	2016 Projected
BASELINE (GAP)			(10,296,180)	(19,725,048)	(29,599,686)
GAP CLOSING MEASURES					
1. Initiatives- Planned					
A. 2014 Instructional Efficiencies					
B. Reduce PT Assignments					
C. OTPS Contracts					
D. Fee Adjustments					
E. Contingency Adjustment (Reserve for Items Not Materializing)					
Total Cost Reductions			-	-	-
2. State	FTE in body				
A. Increase in State Aid Rate in 2014	19,453.5	100	1,945,350	1,945,350	1,945,350
B. Increase in State Aid Rate in 2015	19,453.5	100		1,945,350	1,945,350
C. Increase in State Aid Rate in 2016	19,453.5	100			1,945,350
Total State Aid			1,945,350	3,890,700	5,836,050
3. Sponsor Support					
A. Increase in Sponsor Support 2014		3.90%	2,036,068	2,036,068	2,036,068
B. Increase in Sponsor Support 2015		3.90%		2,115,475	2,115,475
C. Increase in Sponsor Support 2016		3.90%			2,197,979
Total Sponsor			2,036,068	4,151,544	6,349,522
4. Tuition-					
A. Increase in Tuition in 2014	$	150	3,096,729	3,096,729	3,096,729
B. Increase in Tuition in 2015	$	200		4,128,972	4,128,972
C. Increase in Tuition in 2016	$	250			5,161,215
Total Tuition Increases			3,096,729	7,225,701	12,386,915
5. Enrollment Increases- Student Revenue	Increases				
A. Enrollment impact-Student Revenue 2014		1.00%	854,697	895,987	947,599
B. Enrollment impact-Student Revenue 2015		1.00%		904,947	957,075
C. Enrollment impact-Student Revenue 2016		1.00%			966,646
Total Enrollment Impact-Student Revenue			854,697	1,800,934	2,871,320
6. Enrollment Increases- Instructional Cost Factor	Enrollment Increases				
A. Enrollment impact-Instructional Cost Factor 2014		1.00%	(427,349)	(447,993)	(473,800)
B. Enrollment impact-Instructional Cost Factor 2015		1.00%	-	(452,473)	(478,538)
C. Enrollment impact-Instructional Cost Factor 2016		1.00%	-	-	(483,323)
Total Enrollment impact-Instructional Cost Factor			(427,349)	(900,467)	(1,435,660)
7. Enrollment Increases- State Aid- 2013Base=	19,453.5				
A. 2014 Enrollment Increase-State Aid	1.00%	194.54		480,891	500,344
B. 2015 Enrollment Increase-State Aid	1.00%	196.48			505,347
C. 201 Enrollment Increase-State Aid	1.00%	198.45			
Total Enrollment Impact-State Aid			0	480,891	1,005,691
8. Fund Balance					
A. Use of Fund Balance in 2013					
B. Use of Fund Balance in 2014					
C. Use of Fund Balance in 2015					
Total Fund Balance			-	-	-
9. Other Revenue Enhancements/ Savings Measures & Use of Fund Balance- To Be Determined					
A. 2014 Items			2,790,685	1,000,000	500,000
B. 2015 Items				2,075,747	1,000,000
C. 2016 Items					1,085,847
Total Other			2,790,685	3,075,747	2,585,847
Total GAP Closers			10,296,180	19,725,048	29,599,686
Preliminary Balance Baseline GAP surplus/(deficit)			0	0	0

NASSAU COMMUNITY COLLEGE
Inter-Departmental Memo

TO : Hon. George Maragos
Nassau County Comptroller

FROM : James T. Behrens Jr.
Vice President Finance

DATE : July 31, 2013

SUBJECT: NCC's Response to the Audit Findings

George,

I e-mailed our responses to you at 1:35 today and copied JoAnn Greene on that e-mail. As mentioned in the e-mail I am also sending a hard copy.

If there are any questions, please do not hesitate to contact me.

Regards,

Jim

/dw
Copies to: K. Saunders, Acting President
J. Greene, Nassau County Comptroller's Office

COLLEGE'S RESPONSES TO THE COMPTROLLER'S DETAILED REVIEW FINDINGS

FINANCIAL CONDITION OF THE COLLEGE

Review Finding (1):

The College's Financial Condition Raises Concerns

Review Recommendations:

We recommend that the College immediately begin a full financial review to assess programs, evaluate processes and functions, and examine tuition and fee rates with the goal of reducing costs and operating more efficiently.

College Response:

The College concurs with the recommendation in Review Finding (1) that a full financial review take place to assess programs and evaluate processes and functions with the goal of reducing costs and operating more efficiently. In fact, the College believes that program assessment is integral to the College's participation in the accreditation process that is performed by the Middle States Commission on Higher Education, which is the College's accrediting agency. Moreover, the College reviews and evaluates its processes on an ongoing basis with the objective of fulfilling its educational and community based missions at the same time it seeks to achieve operational efficiencies while maximizing operational effectiveness. The College believes that the record of the past several years demonstrates that it has been successful in accomplishing this objective and more steps are planned for the future.

Recognizing the fiscal challenges still ahead of it, the College, nevertheless, does believe that Review Finding (1) highlights some of the more negative aspects of the picture. For example, the report includes a finding that cites a baseline projected operating loss of $35 million for the College by 2015, as reported on the College's Multiyear Financial Plan projection. In preparing Review Finding (1), information was obtained from the County website. However, Review Finding (1) failed to attach the second page of the College's Multiyear Financial Plan that describes the Colleges' action plan to reduce the operating loss down to zero.

The Comptroller cites a $283 million deficit in the 8/31/2012 Audited Financial Statements. The Comptroller explains that the College is not unique when compared to other businesses in showing a deficit after applying the requirement of GASB-45. GASB-45 adds to operating expenses post-retirement benefits i.e. health insurance, which are paid out in future years, thereby not impacting the current year or subsequent years in the near future.

While the Comptroller's deficit per the audited financial statements for 8/31/2012 is accurate, the gravity of the situation is not as severe as one may think when seeing such a large deficit. The audited financials include expenses for future payments (health insurance and accumulated vacation) that do not materialize in the regular budgetary financial accounting operation reporting. On the basis of that accounting used for reporting operations, the College has not had a deficit in over 40 years.

The College has identified future fiscal stability as a concern and as one of its major objectives. It must be emphasized that to achieve that objective requires participation from all three revenue partners—the State, the County and the students, along with increased cost reductions wherever possible through systemization, efficiencies and increased productivity.

In a similar manner, Review Finding (1) states that the College Board of Trustees Fund Balance policy of maintaining a balance of at least 4% of the College's operating budget is below the 5% to 15% recommendation by the GFOA and SUNY. However, a major reason for the College's BOT setting a Fund Balance level below the level cited by the GFOA and SUNY is that the County covers litigation settlements for the College, whereas other community colleges within the SUNY system do not have the same relationship with their sponsor.

Auditor's Follow-up:

The College states that it concurs with the recommendation and already evaluates its processes on an ongoing basis. We did not see evidence of this.

The College's response does not state whether an evaluation will be performed based on this audit. We reiterate that the College should immediately begin a full financial review with the goal of reducing costs and operating more efficiently.

In response to the College's statement that Finding (1) failed to attach the second page of the College's Multiyear Financial Plan that describes the Colleges' action plan to reduce the operating loss down to zero; the second page is now attached.

STUDENT ACCOUNTS

Review Finding (2):

Inadequate Billing and Collection Practices Resulted in the Accumulation of $14 Million of Uncollected Tuition and Fees over a Five-Year Period.

Review Recommendations:

We recommend that the College:

a) adhere to its policy that does not permit students with past-due balances to register for new classes to help ensure that students' balances do not accumulate from several semesters;

b) modify the in-house collection policy to require that past due letters be sent automatically to all students with outstanding balances, on a regularly scheduled basis and the recordkeeping of such be improved;

c) review and analyze reports provided by the collection agencies, develop collection statistics and evaluate performance and trends. The status of all collection efforts should be formally reviewed by the executive level finance manager on a periodic basis; and

d) change the mode of payment used by the collection agencies from check to wire transfer and until then, require that all checks be sent directly to the Bursar; only the list of student accounts to be updated in Banner should be sent directly to SFA.

College Response:

It is necessary to put this finding in the proper context in several respects, and, in doing so, it is clear that the College has already taken ***specific and sustained*** steps to substantially ameliorate the concerns raised by Review Finding 2.

First, due to corrective actions *already* taken by the College, the past due accounts situation has improved substantially since the time of the audit review. These actions have collected approximately $4 million or 28% of the amount cited in the finding. During the time period of the audit review, the College collected approximately $500 million in tuition and fee revenues, of which $14 million is less than 3%.

Second, NCC's bad debt expense compared to the total collected in tuition and fees is lower than the average of the 30 SUNY community colleges.

Third, during a portion of the audit review time period, the College was in the process of transitioning from its "Legacy" computer system, which was on the verge of collapse and wholly inadequate for effective College operations, to the Banner system, which is employed by approximately two-thirds of the schools in the SUNY system. That transition, which has now been completed, drained staff resources due to the need for training, which diverted staff resources from other projects, including collections.

Fourth, reference to "collection agencies" has to be viewed in light of the fact that by waiting two years to send past due accounts to outside collection agencies subsequent to "in-house" efforts, the College is seeking to avoid rushing into a situation in which an extra 20% to 25% is added to the students' bills by the collection agencies. The agencies tack on this amount in order to reimburse themselves for their collection efforts. However, the result is to make it more difficult for financially strapped students to pay the balance due.

Fifth, the corrective actions that the College has already taken to deal with this issue have been ***specific and sustained***. They include:

Improvements have *already* been made by the College in conjunction with the Banner system that have allowed the College to enhance the billing system and improve in-house collections of past due accounts. These efforts are among the reasons that approximately $4 million in past due accounts have been collected since the audit review time period.

Restructuring of the Financial Aid Office in 2010 has improved processing of student aid applications and helped to avoid situations (such as missing documentation or the students' not meeting a state or federal student aid requirement), which, in the past, have resulted in the students' tuition and fees being deferred, but thereby setting the stage for them eventually not to be paid.

Effective 2011, registration for future semesters does not begin until "holds" are in place on students' accounts that have unpaid balances for the current semester. This process has been coordinated between Student Financial Affairs and the Registrar's office to ensure that students cannot register for future semesters until clearing past due debt.

The College has worked with Student Information and Campus Administration Systems (SICAS) – a consortium of SUNY colleges to provide computer technology and services relevant to New York State Education Law – to develop a collection module applicable to community colleges. The College then built that collection module (DCM) to interface with NCC's Banner system.

As a last resort, the College, as of May 2013, has begun to refer past-due accounts to collection agencies. In this situation when continuous billing attempts do not result in full payment, or at the very least, payment arrangements, the College recognizes that it is necessary to rely on outside agencies to attempt collection on behalf of the College.

Sixth, as to the Comptroller's Review Recommendations, we concur with recommendations a), b), c) and d) although as indicated above, we believe the College has already taken ***specific and sustained*** corrective actions that seek to achieve the same objectives as those recommendations.

Auditor's Follow-up:

We concur with the corrective actions taken by the College with respect to recommendations a), b), c) and d) *to improve Banner and the College's billing and collection practices. With respect to the College's new policy to refer past-due accounts to collection agencies when continuous billing attempts do not result in full payment or payment arrangements, we encourage the College to document the protocol that must be adhered to when determining how many continuous billing attempts will be made before a student's past due account is required to be referred to collection agencies. Without such a protocol, future compliance with the new policy would be difficult to audit and/or measure.*

Review Finding (3):

Inadequate Segregation of Student Account Functions and the Lack of Audit Trails Resulted in an Unacceptable Internal Control Environment.

<u>Review Recommendations</u>:

We recommend that the College:

a) reassign roles and responsibilities to ensure incompatible key tasks and functions are segregated. No one person should be in charge of, or have full unsupervised daily control over, the custody of assets, the authorization of transactions affecting those assets and the recording of the related transactions. For example, consideration should be given to:

   i. moving the Bursar function from SFA to the College Treasurer's Office and requiring that when the College's mail is opened all cash receipts be sent directly to the Bursar, not to the Departments;

   ii. reassigning the function for the Banner System (i.e. updating or authorizing changes to tables, schedules etc.) to an employee who is independent from the SFA Department;

   iii. removing the AVP of SFA from the authorized bank signature list on all bank accounts and delegate the function of the backup signatory for the College Treasury to an employee who is independent from the SFA and Bursar Departments; and

   iv. rescinding the AVP of SFA's super access to Banner. As the senior manager of Banner operations, this individual should only have review access. Further, all other security profiles for Banner should be reviewed to ensure that no one individual within SFA has the authority to do everything without independent managerial oversight.

   In addition, the internal auditor should not be involved in performing daily operational functions because it negatively impacts the independence of the internal auditor role, even if the reason is to temporarily fill a vacant position.

b) hire and/or train employees to obtain/improve the knowledge and skills required to delegate the responsibility for incompatible key functions to more than one individual.

c) develop audit trail data to improve the oversight of transaction activity in Banner; and

d) work with Nassau County Civil Service to obtain a College Fiscal Officer title.

<u>College Response:</u>

The College believes that the structure of its Student Financial Services area *already* provides for an adequate segregation of Student Account Functions and notes that the audit did not report any instances in which this current structure resulted in any individual being negatively impacted or any funds being inappropriately used or directed.

With respect to the Review Finding (3)'s specific recommendation ("a") "to reassign roles and responsibilities to ensure incompatible key tasks and functions are segregated" and that "no one person should be in charge of, or have full unsupervised daily control over, the custody of assets, the authorization of transactions affecting those assets and the recording of the related transactions," the College has a structure *already* in place. This structure of the College's Student Financial Services area ensures that all *awarding* of aid is the responsibility of the Financial Aid Office and the *disbursing* of aid is handled by Student Financial Affairs. The Bursar's Office is responsible for the posting of all payments received by the College. ***This departmental structure is the accepted practice for higher education institutions.*** As an internal control, the Bursar's mail is delivered to Student Financial Services so that cashiers *are not* responsible for both opening mail and posting payments received. Moreover, payments are not mailed to individual campus departments. Controls that are *already* in place that address the risks identified in Review Finding (3) include a Banner daily Cashier report which lists all transactions performed by College staff members. These include the transaction referred to in Review Finding (3)'s that the College's Associate Vice President for Student Financial Affairs may have posted to a student's account. This daily report is *already* reviewed by the College Comptroller's department as part of the daily reconciliation process.

Regarding Review Finding (3)'s reference to "super access" to the Banner system, Banner "super users" were set up during the implementation phase of Banner, and are no longer needed. In addition, the College's ITS department conducts an annual review of Banner access rights in order to ensure that there is adequate security in place for all Banner forms.

Review Finding (3)'s recommendation "(a)" also notes that the College's internal auditor should not be involved in performing daily operational functions because doing so negatively impacts the independence of the internal auditor's role. The College agrees that ideally the internal auditor should not be involved in performing operation functions. However, because of the fiscal constraints the College is under, it has limited back up for essential roles, such as occurred in this situation when the College's internal auditor was "double tasked" in order to fill a temporarily vacant position, the functions of which are operationally necessary for the College.

Review Finding (3)'s "(b)" calls upon the College to hire and/or train employees to obtain/improve the knowledge and skills required so that the responsibility for incompatible key functions can be delegated to more than one individual. The College concurs in this recommendation, although the funds necessary to implement it are currently not available. The College will continue to review and implement additional compensating controls to address this concern, such as checklists and documented reviews where applicable.

Review Finding (3)'s recommendation "(c)" is to develop audit trail data in order to improve the oversight of transaction activity in Banner. The College strongly disagrees with the assessment in Review Finding (3) that such an audit trail needs to be developed. Banner *already* maintains an unalterable audit trail for each transaction entered into Banner. The audit trail includes the transaction date, time and user ID of the person who made the transaction. Transactions cannot be deleted or overwritten. A new transaction must be entered to reverse a transaction previously made. Daily reports are printed and utilized for daily reconciliation purposes. Nevertheless, the College agrees to explore the development of further reporting tools in order to find ways to further enhance the current daily review process.

Review Finding (3)'s recommendation "(d)" is to work with Nassau County Civil Service to obtain a College Fiscal Officer title. The College made this request of Civil Service, but was denied. In order to meet the College's operational needs as best possible under these circumstances, the College has hired an administrative part time position.

<u>Auditor's Follow-up:</u>

The Comptroller's Office stands by its findings and recommendations and:

a) *We reiterate our recommendations and suggestions to reassign roles and responsibilities to ensure incompatible key tasks and functions are segregated. We still maintain that the AVP performed too detailed a role in the daily operations and was relied on too heavily by staff and senior management. Our evaluation of the adequacy of internal controls relating to Student Financial Services concluded that there is a risk that fraud or unintentional errors may occur and not be detected; we do not agree that the College has adequately addressed this risk.*

    - *We do not agree that the generation and review of the daily Cash Report addresses the risks identified because this report does not note all adjustments/changes that have been made to a student account that do not immediately affect cash (e.g. the placing or lifting of a hold on a student account). As such, we concur with the College's intent to explore the development of further reporting tools to enhance the current daily review process.*

    - *The College's response provides no support for its claim that the current departmental structure is the accepted practice for higher education institutions.*

    - *With respect to the College's comment that the audit did not report any instances in which this current structure resulted in any individual being negatively impacted or any funds being inappropriately used or directed, we did not perform a forensic examination of Student Financial Services and one is not necessary to point out the existence of this internal control weakness and its associated risk.*

    - *An internal auditor's independence and objectivity is critical to the integrity of the function. It becomes difficult for the internal auditor to adequately evaluate and perform an independent review of College operations when he/she is involved in or performs operational functions.*

b) *We encourage the College to pursue hiring and/or training employees as soon as the funds are available. We strongly believe this is necessary to obtain/improve the knowledge and skills required to delegate the responsibility for incompatible key functions to more than one individual.*

c) *We concur with the College's intent to explore the development of further reporting tools in order to improve the oversight of transaction activity in Banner.*

d) *We acknowledged in the report that the College's request for a Fiscal Officer position was denied by Civil Service. We encourage the College to communicate the weaknesses cited in the report to Civil Service and try again. We do not believe the full responsibilities of a Fiscal Officer can be adequately met with an administrative part time position.*

<u>Review Finding (4)</u>

<u>Weaknesses and Errors in Course Registration Allowed Students with Past Due Balances to Register for New Classes and Accumulate More Debt.</u>

<u>Review Recommendations:</u>

We recommend that the College develop written Deregistration and Bursar Hold policies and procedures to:

a) define the criteria that must be met and the approval that must be obtained before a student is exempted from the deregistration process and/or the Bursar Hold or before a Bursar Hold can be removed;

b) require the retention of the supporting documentation and approvals for all exemptions and releases;

c) require that the current system access controls be changed so that unique user IDs and passwords are established for each employee who is granted access to apply and/or release Bursar Holds. The College should ensure that transaction level audit trail data is generated when employees enter Bursar Hold transactions;

d) generate control reports to review potential error situations such as student accounts with outstanding balances, but no Bursar Hold and student accounts where the Bursar Holds were released, to ensure the releases were authorized. Such reports should be reviewed and signed off by the appropriate level manager and retained for audit trail purposes; and

e) consider expanding the College's policy with respect to when payment by check is no longer permitted, to situations where outstanding balances are paid after the semester has ended. For example, when a student submits payment of tuition after the semester has ended, the student should only be allowed to pay and register for the next semester with a money order or by credit card.

<u>College Response:</u>

The College has *already* implemented ***specific and sustained*** actions to address the concerns raised in Review Finding (4) with the goal of eliminating, to the greatest extent possible, the inadequacies of the system that had allowed students with past due balances to register for classes. The College will explore the feasibility of implementing additional steps consistent with the objectives of the recommendations in Review Finding (4). In particular, Review Finding (4) recommended a number of steps that the College develop regarding Deregistration and Bursar Hold policies. They include:

a) Defining the criteria that must be met and the approval that must be obtained before a student is exempted from the deregistration process and/or the Bursar Hold or before the Bursar Hold can be removed. <u>In response, the College notes</u> that it *already* has definite criteria and procedures for Deregistration and Bursar Holds, although it agrees with Review Finding (4) that these procedures need to be formally documented and periodically reviewed. Currently, an automated system generated "job" is run which assigns a "hold" on a student's account prior to the start of registration for a subsequent semester. As part of this process, the user ID of the staff member requesting the assignment of the holds is entered on the "hold" screen. Any holds placed manually by an individual are, thus, *already* recorded in the system with a user ID and date. Unfortunately, the Banner system does not, currently, record the name of the user that removes the hold. However, the College has expressed the need for this feature to the Banner representatives and is hopeful that a system upgrade will include this essential improvement in the near future.

In order to put this process into the proper context, it is important to note that the deregistration process is a Banner delivered function and is run on a predetermined schedule through the ITS department. The schedule is established by the Associate Vice President of Student Financial Affairs in conjunction with other key areas, such as Registrar and Advisement, within the registration process. Occasionally, an exception is made for a student with special circumstances, perhaps to allow a few extra days for payment or completion of the financial aid process. In allowing this, the College seeks to blend "business necessities" into its mission of "student accessibility." Nevertheless, all students who have not paid or made payment arrangements (as per the College's "payment plan") prior to the start of the semester *are* deregistered.

b) Requiring the retention of the supporting documentation and approvals for all exemptions and releases. <u>In response, the College notes</u> that Banner functionality *already* includes a "Comments Form" that is intended to document student account information as per this recommendation. Unfortunately, during the initial implementation stage of Banner, this form was not fully utilized. This flaw was self-identified by the College in 2011, and, at that time, the staff was reminded to utilize this Form. Nevertheless, in light of the recommendation in Review Finding (4), the College will emphasize with all staff members the requirement to use this form in order to record the information that Review Finding (4)'s recommendation has highlighted. The College will also investigate the feasibility of using BDMS (a document management system) in order to associate back-up documents with a specific student account.

c) Requiring that the current system access controls be changed so that user IDs and passwords are established for each employee who is granted access to apply and/or release Bursar Holds. Review Finding (4) recommends that the College should ensure that transaction level audit trail data is generated when employees enter Bursar Hold transactions. In response, the College notes that the unique user ID and password for placing holds was identified as a need and was *already* established by the department in February 2010. Unfortunately, Banner does not currently have the capacity to do the same for the release of the holds. However, the College has requested that the software vendor create an update to add this capability. Nevertheless, as indicated elsewhere in the College's response, daily audit trail data is *already* available for all transactions.

d) Generating control reports in order to review potential error situations (such as where there are student accounts with outstanding balances but where there are no Bursar Holds, or where there are student accounts where the Bursar Holds may have been released) in order to ensure the releases were, in fact, authorized. Such reports should be reviewed and signed off on by the appropriate level manager and retained for audit trail purposes. In response, the College notes that it is true that prior to fall 2011, students on the College's Payment Plan (which is a deferred tuition plan that is payable in three installments) were able to register for the next semester's classes prior to the receipt of the last payment in the plan. However, this process has since been adjusted so that registration dates *now* occur after the final payment plan dates. *Now*, all students who are delinquent on their final payment have a hold placed on their account prior to the start of registration. In a related matter, the reversal of expected financial aid is something the College cannot anticipate and may occur after the student has already completed a semester. However, stricter policies for deferring tuition based on expected aid were *already* implemented when the College's financial aid office was restructured in the 2011-2012 academic year in order to reduce further this kind of situation from occurring.

e) Considering expanding the College's policy with respect to when payment by check is no longer permitted, so that it would also not be permitted in situations where outstanding balances are paid after the semester had ended. Review Finding (4) provides the following example: when a student submits payment of tuition after the semester has ended, then the student should be allowed to pay and register for the next semester only with a money order or by credit card. In response, the College notes that it will explore this recommendation, although it is necessary to be aware that many of its students do not have credit cards, and, therefore, would need to purchase a money order, which entails an associated fee.

Auditor's Follow-up:

a) We concur with the College's actions to upgrade the Banner system to include a feature that records the User ID of a staff member who removes a Bursar Hold from a student's account.

b) We concur with the College's corrective action to explore using a document management system which will provide the ability to associate backup documents with a specific student account. Although the Banner functionality already includes a "Comments Form" to document student account information, it is not the same as actual supporting documentation for the removal of a Bursar Hold.

c) *Although daily audit trail data may already be available for all Banner transactions, it does not identify the staff member who releases a Bursar Hold. Thus, accountability for the transaction cannot be determined. We concur with the College's corrective action plan to request that the software vendor create an update which will add the Bursar Hold release identification capability.*

d) *The College's response addresses only those students on payment plans. It does not address the students who had outstanding balances, but were not on payment plans and were still allowed to register. We reiterate our recommendation to generate control reports to review potential error situations for students who are not on payment plans.*

e) *We concur with the College's intent to explore implementing a policy that would require students with outstanding balances to use a reliable form of payment when settling their past due balances. While it may be true that many of its students do not have credit cards, and, therefore, would need to purchase a money order and pay an additional fee, these students should still be held accountable and required to act responsibly; having to pay an additional fee would provide an incentive to improve their behavior.*

Review Finding (5):

Non-Collection of Application Fees During the Admission Process Resulted in the Loss of $237,000 in Revenue

Review Recommendations:

We recommend that the College develop an online application process that will allow applicants to complete and submit the application and pay the application fee at the time of processing.

Until the College develops the online application, we recommend that the College revise its admissions practices and instructions and develop controls to ensure that:

a) student applications are only processed after the application fee has been received. Applications submitted without the fee should be set aside and returned to the applicant;
b) application fees are only assessed by the Office of Admissions; and
c) the manual assessment of the application fee is performed correctly. Consideration should be given to developing a control report which displays student accounts charged with more than one application fee for review and follow-up.

College Response:

The College agrees with the recommendation in Review Finding (5) that this problem be addressed by developing an online application process. However, in light of the College's previous negative experience with respect to the recommendation, on an interim basis, the College is currently pursuing an alternative approach. This alternate approach was implemented in the fall of 2011, which was subsequent to the timeframe of the audit review, and it has *already* resulted in a significant increase in the collection of application fees. More specifically:

Review Finding (5) recommended that the College develop an online application process that will allow applicants to complete and submit the application and pay the application fee at the time of processing. In response, the College notes that it has already identified this proposed solution and has been working on the development of an online application process that will interface with the Banner system while, at the same time, incorporating all admission information that is unique to Nassau Community College. This online application process will completely eliminate the problem.

In the interim, the Review Finding (5) recommended that the College revise its admissions practices and instructions and develop controls to ensure that: a) student applications are processed only after the application fee has been received, so that applications submitted without the fee should be set aside and returned to the applicant, b) application fees are assessed only by the Office of Admissions, and c) the manual assessment of the application fee is performed correctly. With respect to "c)", Review Finding (5) recommends that consideration should be given to developing a control report which displays student accounts charged with more than one application fee for review and follow-up. In response, the College notes that although recommendations "a)" and "b)" have surface appeal, the College has *already* tried this approach and found that implementation was unmanageable and would be dysfunctional because it would greatly stress the admissions office during peak times. Nevertheless, the College implemented a process in fall 2011 that is a less drastic approach and that has resulted in a significant increase in the collection of application fees. This involves beginning the processing of applications that are submitted without a fee, but not completing that process until the application fee has been paid. However, before placement testing, which is required for admission, can take place each student must have submitted the application fee to the Bursar's Office. This process allows the Admissions Office to continue processing applications without creating a back-log of unprocessed applications waiting for payment. With respect to the manual assessment of the application fee, the College runs reports to identify and make corrections where appropriate. The College will utilize the in-house reports until the online application process is in place, which will eliminate the manual errors that occur.

Auditor's Follow-up:

The Comptroller's Office stands by its findings and recommendations.

We concur with the College's corrective action plan to develop an online application process. We reiterate our recommendations with respect to revising its admissions practices and instructions until the online process is implemented. The newly implemented application processing approach discussed in its response is designed to capture applicants who will take the placement test and ultimately attend the College. The approach should also take into consideration the use of limited employee resources to process applications for those applicants who do not pay the application fee and will never take the placement test.

<u>Review Finding (6):</u>

<u>Inaccurate Assessment of Course Fees Was Uncovered</u>

<u>Review Recommendations:</u>

We recommend that:

a) a review of Banner's fee assessment process be performed to determine why the charges identified during the audit were not assessed properly by Banner and corrective action be taken; and

b) a control report should be designed to identify when student accounts are missing fee charges.

<u>College Response:</u>

Although there were minor errors in the assessment of course fees when the Banner system was begun, these problems have been corrected and internal controls have *already* been established. More specifically, Review Finding (6) recommended that:

a) a review of Banner's fee assessment process be performed in order to determine why the charges identified during the audit period were not assessed properly by Banner and corrective action taken. <u>In response, the College notes</u> that in light of the errors that it identified at the time of the start up of Banner, it was able to correct those errors. In addition, a report has *already* been developed to ensure that courses that have fees associated with them are set up properly each semester.

b) a control report should be designed to identify when student accounts are missing fee charges. In response, the College notes that such a report has already been developed to ensure that courses that have fees associated with them are set up properly each semester.

<u>Auditor's Follow-up:</u>

The Comptroller's Office stands by its findings and recommendations.

a) At the time of the audit we noted the inaccurate assessment of course fees on some student accounts and believe that the "already" corrected Banner problems and established process and controls noted in the College's response should be looked at again to determine why the errors noted in the audit were not detected by the College.

b) We concur with the College's corrective action plan to develop control reports to help ensure that courses and the required fees are set up properly each semester.

Review Finding (7):

Untimely Chargeback Billing to Other Counties Totaled $9.4 Million

Review Recommendations:

We recommend that the College review and revise its chargeback procedures to ensure that:

a) outside counties are charged for the non-resident tuition fees within 45 days of the start of the semester;

b) the capital portion of the non-resident tuition fees received by the College is remitted to the County upon receipt; and

The College should not unilaterally hold back County revenue pending receipt of unrelated revenue due from the County.

College's Response:

Although there may have been some instances of delayed initial billings of other counties for "chargeback" payments (which are payments that other counties make to NCC for students that attend NCC but are residents of those other counties) during the implementation of Banner, the College is *now* able to adhere to the 45 day requirement for "initial" billing of other counties for the chargeback payments. While the college acknowledges the untimely chargeback billing, it must be emphasized that the full amount of the billings were collected and we did not lose any revenue or cash. However, the College disagrees with the Review Finding as it relates to issues with respect to the remitting to Nassau County the capital portion of the chargeback payments.

More specifically, the Review Finding (7) recommended that the College review and revise its chargeback procedures to ensure that:

a) outside counties are charged for the non-resident tuition fees within 45 days of the start of the semester. In response, the College notes that billing other counties for chargeback payments falls into two categories: "initial" billing and "supplemental" billing. Moreover, the College is now able to adhere to the requirement that the initial billing take place within 45 days of the beginning of the semester, and this process includes all Certificates of Residence submitted by students up to that date. However, there is supplemental billing of counties that takes place outside of the 45 day window if students do not supply the College with the Certificate of Residence within the initial 45 day window. Often the students' submission of this additional documentation occurs when tuition bills for the non-resident portion of their tuition are sent to them and they realize that they have neglected to submit their Certificate of Residence to the College, in spite of multiple reminders from the College. Failure to submit this Certificate would place the obligation to pay non-resident tuition on the student and not the other county.

b) the capital portion of the non-resident tuition fees received by the Colleges is remitted to the County upon receipt. In response, the College notes that it deems this recommendation to be extremely unproductive and impractical. The College believes that a consequence of this recommendation would be an unnecessary increase in the amount of time that College Accounting as well the County Comptroller and County Treasurer's offices would have to spend on recording these frequent and often nominal transfers. Such transfers could have the effect of imposing on the parties involved additional banking fees associated with these multiple transfers.

Moreover, the College was established by New York State and it is subject to regulations of the State University of the New York. These regulations dictate the proper procedure in relation to capital chargebacks as it pertains to the charging, recording, remitting and use of capital chargebacks. These regulations specifically address the proper use of these monies as follows: a) to meet the sponsor's share of the costs of acquisition of land and the acquisition, construction or rehabilitation of buildings; b) to reduce the indebtedness of the sponsor incurred for capital costs of a community college; c) to pay the sponsor's costs of financing such indebtedness; and d) for the sponsor's share of such other purposes as are normally permitted within an approved capital construction budget. Nassau County has accumulated chargeback transfers in the Capital Project Fund # 97112 in excess of $5 million. These funds are available to the County use only for the purposes "a)" through "d)" described above. It should be noted that there has been no use of any of these funds by the County in the last three years and that the County should not comingle these funds or use them for purposes other than "a)" through "d)." Therefore, as a practical matter making these funds available to the County as per recommendation in Review Finding (7) would not have any benefit to the County since the funds can be used for only very limited purposes and the County has not availed itself of the funds in any case.

Auditor's Follow-up:

Although the College acknowledges that there was untimely chargeback billing, it states that "we did not lose any revenue or cash". Untimely billing leads to the non-maximization of the College's resources and also affects cash flow. It is important to note that our audit sampled only one of the counties that the College receives chargebacks from and found $9.4 million in untimely billing. Further, New York State Education law§ 6305 (4) states "The amount billed to the chief fiscal officer of each county by the president of such community college as a charge for the allocable portion of the operating costs and a further sum on account of capital costs of such college for nonresident students shall be paid to the chief fiscal officer of such college by the billed county no later than sixty days after the county receives said billing".

a) We concur with the College's intention to adhere to the 45 day requirement for all initial chargeback billings. With respect to the College's inclusion of the supplemental billing of counties that takes place outside of the 45 day window as part of the explanation for late billing, the Comptroller's office was aware of this process and did not include supplemental billings in the audit finding. As stated above the $9.4 million noted in the testing related to only initial billings and related to only one county.

The amounts noted by the College as "nominal" totaled $540,000, of which there were two payments of over $200,000 remitted after 100 days of the College's receipt from one sampled outside County.

b) *The College notes that there has been no use of funds in the Capital Project account in the last three years, but does not mention that the County contributed $23 million towards the purchases of the College's capital and construction assets in 2012.*

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Review Finding (8):

Inadequate Controls Over Faculty Scheduling Led to Overlapping and Unauthorized Work Hours

Review Recommendations:

We recommend that the College:

a) consider revising its current practice so that the Dean of Academic Affairs is required to approve the Faculty Program Schedule and the approval is evidenced by a signature;

b) develop an effective procedure to ensure employees with multiple positions are not scheduled or paid for the same hours in different departments;

c) develop an effective procedure to detect employees who work outside of their scheduled contract hours and revise the employees' contracts and the schedules entered in Banner accordingly; and

d) review class scheduling practices to ensure time is built in for instructors to get from one class to another when both classes are taught by the same instructional employee.

College Response:

Having identified in fiscal year 2008 the problem highlighted in Review Finding (8) and having *already* implemented steps to remedy the situation, the College concurs with the actions recommended by the Comptroller. However, full implementation of Review Finding (8)'s recommendations is circumscribed by the nature of institutions of higher education. More specifically, Review Finding (8) recommended that the College:

a) consider revising its current practice so that the Dean of Academic Affairs is required to approve the Faculty Program Schedule and the approval is evidenced by his signature;

b) develop an effective procedure to ensure employees with multiple positions are not scheduled or paid for the same hours in different departments;

c) develop an effective procedure to detect employees who work outside of their scheduled contract hours and revise the employees' contracts and the schedules entered into Banner accordingly; and

d) review class scheduling practices to ensure that time is built in for instructors to get from one class to another when both classes are taught by the same instructional employee.

The College concurs with these actions recommended by Review Finding (8) and has *already* implemented corrective action plans, which included steps to reduce the number of employees who work in two or more positions. However, it is necessary to note that individuals working in more than one position is inherent to institutions of higher education. For example, a professor substituting for a colleague in teaching a class would be listed as an employee occupying multiple positions. Also inherent in higher education is that faculty do not work in a traditional 9-5 schedule and office hours and advisement functions may be rescheduled consistent with the parameters laid out in the union contract. Nevertheless, the College is, within these practical and contractual constraints, in the process of implementing a web based time entry system that will provide the College with an automated system of time keeping. This system will improve the input, review and reporting capabilities. The College deems the implementation of automated controls as the most efficient way of addressing the deficiency. In fact, the College was originally pursuing the implementation of the Nassau County "in time" time management system. However, the system was not installed at the College as per a decision made by the County IT department. The College believes that upon the implementation of an alternative new web based time entry system, scheduled for calendar year 2014, the possibility of human error in the areas of entering conflicting times for contracts as well as for time cards will be appropriately addressed.

Auditor's Follow-up:

We concur with the corrective actions to be taken by the College.

Review Finding (9):

Coding Error Resulted in a $10,743 Erroneous Payment to an Associated Professor

Review Recommendations:

We recommend that the College Payroll Department revise its procedures to ensure that all educational contracts are verified and errors are corrected before authorization for payment is made. For example, the results of the verification should be properly communicated to all employees involved in the payment process so that all the appropriate corrective actions are taken when necessary. In addition, all errors should be reviewed to ensure the corrections were processed timely and accurately.

College Response:

The College concurs with the recommendation in Review Finding (9). Actions are being taken to reinforce internal controls associated with this finding.

More specifically, Review Finding (9) recommended that the College Payroll department revise its procedures to ensure that all educational contracts are verified and errors are corrected before authorization for payment is made. For example, the results of the verification should be properly communicated to all employees involved in the payment process so that all the appropriate corrective actions are taken when necessary.

In addition, Review Finding (9) recommended that all errors should be reviewed to ensure the corrections are processed timely and accurately. In response, the College notes that we responded by insuring that Academic Affairs departments get a preliminary review of the data entered in Banner. They review all entries that they have made and make corrections before the adjunct payroll is run. Additionally, we are in the process of hiring personnel to provide an appropriate level of oversight function in the Payroll department. The College is also in the process of implementing a web based time entry system that will provide the College with an automated system of time keeping. This system will improve the input, review and reporting capabilities. The College deems the implementation of automated controls as the most efficient way of addressing the deficiency. In fact, the College was originally pursuing the implementation of the Nassau County "in time" time management system. However, the system was not installed at the College as per a decision made by the County IT department.

Auditor's Follow-up:

The Comptroller's Office concurs with the corrective actions to be taken by the College.

Review Finding (10):

The County's InTime System was Not Implemented: Manual Time and Leave Practices Require Improvement
Review Recommendations:

We recommend that the College automate its time and leave process by implementing the InTime System. Until the College implements the InTime System, we recommend that corrective action be taken to ensure that:

a) timesheets are prepared and signed by employees, initialed by the timekeepers and approved by their supervisors;

b) employees in the Plant Department record the time in and out daily;

c) leave request forms are used properly to record leave usage and its approval;

d) charges against employees' leave accrual records are accurately recorded in NUHRS;

e) tardiness is first charged against an employee's vacation leave entitlements when it accumulates to ¼ of a day; and

f) documentation and approvals are obtained and retained as required for sick leave and sick leave half pay.

College Response:

The College concurs in the recommendation of Review Finding (10), but would note that the Nassau County InTime time management system was not installed at the College as per a decision made by the Nassau County IT department, that system would provide automated computer controls and would mitigate the risks associated with the condition noted. In addition, the College has *already* taken corrective actions to address the situations noted in the Review Finding and appropriate procedures are in place.

More specifically, the Review Finding (10) recommended that the College automate its time and leave process by implementing the InTime System. However, until the College implements the InTime system, the Review Finding (10) recommended that corrective action be taken to ensure the following: a) time sheets are prepared and signed by employees, initialed by timekeepers and approved by their supervisors, b) employees in the Physical Plant department record the time in and out daily, c) leave request forms are used properly to record leave usage and its approval, d) charges against employees' leave accrual records are accurately recorded in NUHRS, d) tardiness is first charged against an employee's vacation leave entitlements when it accumulates to ¼ of a day, and f) documentation and approvals are obtained and retained as required for sick leave and sick leave half pay. In response, the College notes that the Nassau County InTime management system was not installed at the College as per a decision made by the Nassau County IT department and that corrective action has *already* been taken to address the situations noted in the Review Finding and appropriate procedures are in place. For example, the College's Human Resources department has created procedures covering all employees to follow up on their extended absences. Such procedures include providing Family and Medical Leave (FMLA) information to employees, requesting medical documentation for extended absences and retaining all medical documentation in separate files. In addition, Human Resources has developed and implemented standard procedures for employees requesting donated time or sick leave half pay. Representatives of Human Resources have also met with the US Department of Labor to review compliance procedures.

Auditor's Follow-up:

We concur with the corrective actions being taken by the College.

Review Finding (11):

Overtime Controls Need Improvement

Review Recommendations:

We recommend that:

a) all employee overtime be pre-approved in writing by management; and

b) the start and end times be recorded to substantiate the hours worked.

College Response:

Because it believes that it *already* has overtime controls in place and because it believes that the recommendation in Review Finding (11) does not fully recognize the practical limitations on having all employee overtime pre-approved, the College disagrees with Review Finding (11)'s recommendation regarding overtime controls.

More specifically, Review Finding (11) recommended that all employee overtime be pre-approved in writing by management, and that start and end times be recorded to substantiate the hours worked. In response, the College notes that it *already* employs procedures to ensure that all employee overtime is pre-approved in writing, where possible. But in certain instances it is impossible to avoid approving overtime after the fact as a result of the short notice given employees of the need to do emergency or time sensitive work or when the regular personnel scheduled to do the work is not available due to illness. In addition, the estimation of the duration of overtime in advance may be impossible in light of the unpredictable nature of the circumstances which could have given rise to the need for overtime in the first place. Moreover, the College monitors overall overtime expenses closely, thereby ensuring to the greatest extent possible that total overtime expenses stay within the available budget.

Auditor's Follow-up:

The Comptroller's Office stands by its findings and recommendations.

We acknowledge there may be situations such as emergency work or time sensitive material which would make it impossible to preapprove overtime. However, we reiterate that the College should strengthen overtime controls so that all overtime situations will not be "deemed" or construed as time sensitive or emergency in nature.

Appendix A

Comparative Analysis:

College Comments:

Although the College concurs with the Comptroller's notes in his Comparative Analysis that it explore why NCC has almost double the full time faculty and support staff of Suffolk County Community College, NCC believes at the outset that differing staffing levels can come about for a variety of reasons, some of which relate to value judgments as to what is necessary to maintain educational quality. Given the high percentage that personnel costs make up of overall college budgets, differing staffing levels affect the per student cost of education. With respect to graduation rates, there are a number of factors that affect this data. It is first, however, important to note that the comparative pool in the Comptroller's Notes is only four institutions. A larger pool may well result in a different comparative conclusion. Graduation rates, as well as many other performance metrics are in the scope of both SUNY and the Middle States Commission on Higher Education, which is the College's accreditation agency. Accordingly, program/performance assessment is a continual ongoing process at NCC.

Responding more specifically to certain notes in the Appendix, the College offers the following comments. High staffing levels (as compared to the three other community colleges—Suffolk, Monroe and Westchester) cited by the Comptroller, as well as budget dollars per student being higher than Suffolk are directly attributable to the low student faculty ratio (faculty defined as both full time and part time) at NCC vs. the other community colleges.

When analyzing the student ratio to full time faculty, NCC is by far the lowest ratio at 55 students to each full time faculty member. Suffolk is 100 to 1; Monroe is 93 to 1; and Westchester is 117 to 1. Additionally, "all other staff" cited in the Comptroller's Report which is defined at Non-Classroom staff inclusive of non-union administrators is the lowest at NCC out of the four schools noted.

One other comment cited by the Comptroller's Report was that on a dollar basis NCC had the highest General Administration and General Expenses out of the four schools. The categories included in the Comptroller's citing include many, many departments and in no way should the category of general administration be confused with administrative staff. For example, general administration includes finance, accounting, bursar, employee relations, legal services, personnel and the President's Office. That said, the Comptroller only looked at dollar amounts not at the percentage of these expenses to the total expenses of the College's. When those percentages are calculated, NCC is right in line with the other colleges in the Comptroller's comparison.