



City of New York

OFFICE OF THE COMPTROLLER

Brad Lander
COMPTROLLER



FINANCIAL AUDIT

Maura Hayes-Chaffe

Deputy Comptroller for Audit

Audit Report on Guttman Community
College's Controls over Student Activity
Fees

FM22-077A

June 27, 2022

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

June 27, 2022

To the Residents of the City of New York,

My office has audited the controls of Guttman Community College (Guttman) of the City University of New York (CUNY) over its student activity fees to determine whether: (1) all student activity fees collected were turned over to the Guttman Association and (2) the expenses incurred by the Guttman Association and funded by student activity fees were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws. We conduct audits of public entities such as Guttman to ensure that funds are used to the benefits of the students as intended.

The audit determined that all student activity fees collected by Guttman during Fiscal Years 2019 through 2021 were turned over to the Guttman Association. The audit also found certain weaknesses in the Guttman Association's controls over expenses funded by student activity fees. Specifically, the Guttman Association did not maintain notation of quotes or bids from at least three vendors for 23 sampled expense items valued between \$251-\$2,000, nor was there any indication that it solicited bids from at least five vendors for one purchase of \$3,480. In addition, the audit found no evidence of the Audit Committee's activity or evidence that authorization for student activity fees receivable write-offs was maintained.

The audit recommends that bidding or price research is conducted to ensure that prices are reasonable and that notation of quotes or bids from the solicitation is maintained when required; that the Audit Committee's activity is in line with Guttman Association's Bylaws and its proceedings are documented accordingly; and that all student activity fees receivable write-offs are properly authorized and documented.

The results of the audit have been discussed with Guttman and CUNY officials, and their comments have been considered in preparing this report. Guttman's complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Lander".

Brad Lander

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on Guttman Community College's Controls over Student Activity Fees

FM22-077A

EXECUTIVE SUMMARY

The City University of New York (CUNY) serves more than 275,000 degree-seeking students as well as 250,000 continuing education and certificate students.¹

As part of their tuition payments, full-time and part-time students pay \$55 and \$20, respectively, in student activity fees per semester for student government and other student activities. Those fees are collected through CUNY's Fully Integrated Resources and Services Tool (CUNYfirst) system and then turned over to the Guttman Community College Association (Guttman Association).² The Guttman Association has the responsibility to supervise and review budgets for programs that are supported by student activity fees in accordance with CUNY's Bylaws.

Guttman Community College (Guttman) reported 1,781, 1,930, and 1,800 in student enrollment and \$88,555, \$94,765, and \$90,715 in student activity fees for Fiscal Years 2019, 2020, and 2021, respectively.³

Audit Findings and Conclusion

This audit found that all student activity fees collected by Guttman during Fiscal Years 2019 through 2021 were turned over to the Guttman Association. The audit also found certain weaknesses in the Guttman Association's controls over expenses funded by student activity fees. Specifically, the Guttman Association did not maintain notation of quotes or bids from at least three vendors for 23 sampled expense items valued between \$251–\$2,000, nor was there any indication that it solicited bids from at least five vendors for one purchase of \$3,480. In addition,

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

² According to the *Office of Budget and Finance Financial Management Guidelines for College Associations*, Section IV (A)(b), the college president is the chair of the college association, who appoints six of its 13 members and approves its governing documents.

³ Guttman officially opened on August 20, 2012.

the audit found no evidence of the Audit Committee's activity or evidence that authorization for student activity fees receivable write-offs was maintained.

Audit Recommendations

This report makes a total of three recommendations, specifically that the Guttman Association should ensure that:

- Bidding or price research is conducted to ensure that prices are reasonable and that notation of quotes or bids from the solicitation is maintained when required;
- The Audit Committee's activity is in line with Guttman Association's Bylaws and that its proceedings are documented accordingly; and
- All student activity fees receivable write-offs are properly authorized and documented.

Agency Response

In its response provided on June 21, 2022, Guttman agreed with the auditors' findings and recommendations and informed the auditors of the actions the Guttman Association plans to take to improve its operations.

AUDIT REPORT

Background

CUNY serves more than 275,000 degree-seeking students as well as 250,000 continuing education and certificate students. CUNY, which enrolls students in over 1,400 academic programs, consists of 25 institutions including 11 senior colleges; 7 community colleges; and 7 graduate, honors, and professional schools. Guttman is one of seven CUNY community colleges and the newest one to offer two-year degree programs.

As part of their tuition payments, full-time and part-time students pay \$55 and \$20, respectively, in student activity fees per semester for student government and other student activities. The Guttman Association is responsible for supervising and reviewing budgets for programs that are supported by these fees.

The CUNY Bylaws require that student activity fees be allocated and expended for the following purposes:

- extracurricular educational programs;
- cultural and social activities;
- recreational and athletic programs;
- student government;
- publications and other media;
- assistance to registered student organizations;
- community service programs;
- enhancement of the college and university environment;
- transportation, administration and insurance related to the implementation of these activities;
- student services to supplement or add to those provided by the university; and
- stipends to student leaders.⁴

Guttman Association's Budget Committee develops budgets supported by student activity fees and recommends the budgets to its Board for review prior to expenditure. In addition, Guttman Association's Audit Committee oversees the adequacy of the Association's accounting and financial reporting processes.

Guttman reported 1,781, 1,930, and 1,800 in student enrollment and \$88,555, \$94,765, and \$90,715 in student activity fees for Fiscal Years 2019, 2020, and 2021, respectively.

⁴ A stipend is a fixed sum of money paid periodically to a student for services performed in accordance with a budget approved by the allocating body. Examples of such services include the functions as an elected officer of the college association or student government, elected editor of a student newspaper, or elected president of a student organization.

Objectives

The objectives of the audit were to determine whether: (1) all student activity fees collected were turned over to the Guttman Association and (2) the expenses incurred by the Guttman Association and funded by student activity fees were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

Scope and Methodology Statement

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The scope of this audit covers the period from July 1, 2018 through June 30, 2021. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with Guttman and CUNY officials during and at the conclusion of this audit. A preliminary draft report was sent to Guttman and CUNY on May 23, 2022, and discussed with Guttman and CUNY officials at an exit conference held on June 1, 2022. On June 6, 2022, we submitted a draft report to Guttman and CUNY with a request for written comments. We received a written response on June 21, 2022. In the response, Guttman agreed with the audit's findings and recommendations and informed the auditors of the actions the Guttman Association plans to take to improve its operations.

The full text of Guttman's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

All student activity fees collected by Guttman during Fiscal Years 2019 through 2021 were turned over to the Guttman Association. However, certain weaknesses were found in the Guttman Association's controls over expenses funded by these fees. Specifically, the Guttman Association did not maintain notation of quotes or bids from at least three vendors for 23 sampled expense items valued between \$251–\$2,000, nor was there any indication that it solicited bids from at least five vendors for one purchase of \$3,480. In addition, no evidence was found of the Audit Committee's activity or that authorization for student activity fees receivable write-offs was maintained.

These matters are discussed in detail in the following sections of the report.

No Evidence of Bidding or Price Inquiries to Vendors Maintained

According to *The City University Fiscal Handbook for the Control and Accountability of Student Activity Fees* (1992), bids must be solicited for all types of purchases over \$250 with the exception of postage, subscriptions, honoraria, travel by individuals, meals provided to individuals (not catering), memberships and advertising. For purchases of \$251–\$2,500, at least three vendors must be solicited and a notation of quotes or bids from the solicitation must be maintained on file. For purchases of \$2,501–\$20,000, bid solicitations must be sent to at least five vendors.

Of the 84 sampled expense items, the auditors found that 26 should have been subject to solicitation of quotes or bids. Of these 26 expense items, there were no notations indicating that three vendors were solicited for 23 purchases valued at \$251–\$2,500. For example, on June 17, 2019, a purchase of T-shirts, chopsticks, and tote bags totaling \$1,217 did not have a notation on file to indicate that at least three vendors were solicited as required. In addition, for another purchase of banners totaling \$3,480, there was no indication whether at least five vendors were solicited.

Without evidence that proper research was conducted to determine the lowest reasonable price, there is limited assurance that student activity fees are being utilized appropriately, allowing for potential waste of funds.

Recommendation

The Guttman Association should:

1. Ensure that bidding or price research is conducted to ensure that prices are reasonable and that notation of quotes or bids from the solicitation is maintained when required.

Guttman's Response: Guttman agreed with this recommendation and clarified that "the college's Procurement Office will adhere to current State law and University guidelines, including attaching all pertinent sourcing documents to Purchase Orders in the system of record."

No Evidence of Audit Committee Activities

According to Article V, Section 1 (b) of the Guttman Association's Bylaws, "The Board shall have an Audit Committee . . . of two Independent Directors and one student Director . . . [to] oversee the accounting and financial reporting processes of the Association and the audit of the Association's financial statements."

Further, according to its Bylaws, the Guttman Association is required to keep minutes of the proceedings of its Board of Directors and its Committees. However, they were unable to provide any records related to the Audit Committee's proceedings or its activities reported to the Board during the period January 1, 2020 through June 30, 2021. Consequently, there is no reasonable assurance that the Audit Committee carried out its functions in accordance with the Bylaws.

Recommendation

The Guttman Association should:

2. Ensure that the Audit Committee's activity is in line with Guttman Association's Bylaws and that its proceedings are documented accordingly.

Guttman's Response: Guttman agreed with this recommendation.

Student Activity Fees Receivable Written Off Without Evidence of Proper Authorization

The audit found that student activity fees receivable from Fiscal Years 2013 through 2019, totaling \$8,006, was written off without evidence of proper authorization. The Guttman Association explained that write-offs of any uncollectible student activity fees have to be initiated or instructed by CUNY. However, the Guttman Association was unable to provide such authorization documentation upon request. Absent such evidence, there is no reasonable assurance that those write-offs were properly authorized.

Recommendation

The Guttman Association should:

3. Ensure that all student activity fees receivable write-offs are properly authorized and documented.

Guttman's Response: Guttman agreed with this recommendation.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2018 through June 30, 2021.

To obtain a general understanding of how student activity fees are processed, the auditors conducted walkthrough meetings with Guttman officials in charge of the billing, collection, fund transfer, recording, disbursement, and budget of student activity fees. The auditors also reviewed CUNY Bylaws Article XVI - Student Activity Fees and Auxiliary Enterprises, *The City University Fiscal Handbook for the Control and Accountability of Student Activity Fees (1992)*, *The Office of Budget and Finance Financial Management Guidelines for College Associations*, the *CUNY Bank Account Control Policy*, and the *Bylaws of Guttman Association*.

The auditors reviewed the Guttman Association's audited financial statements, general ledgers, approved budgets, and minutes for the Guttman Association's meetings for the scope period to obtain a better understanding of the student activity fees reported and allocated. The auditors also traced the accounts from the general ledgers to the audited financial statements for accuracy and consistency. In addition, the auditors assessed the reasonableness of the recorded revenue and expenses. Based on the minutes of the Guttman Association, the auditors assessed whether the required quorum was met at each meeting to approve the proposed budget modifications.

To determine whether all student activity fees collected were turned over to the Guttman Association, the auditors reconciled the student activity fees revenue amounts in the general ledger to the *SAF Collection and Transfer* file provided by the Guttman Association. Additionally, the auditors reviewed the enrollment figures from Fall 2018 through Fall 2021 to calculate the amount to be collected based on Full-time or Part-time status of a student and to compare it with the amount transferred to the Guttman Association. The auditors also verified the accuracy of the student activity fee receivable as of June 30, 2021, and assessed whether receivable write-offs were properly authorized and documented.

To determine whether the Guttman Association complied with the purchasing, vouchering and documentation requirements in *The City University Fiscal Handbook for the Control and Accountability of Student Activity Fees (1992)*, the auditors judgmentally selected to review expense items of \$500 and above, i.e., 84 out of 265 expense items. The auditors reviewed the related supporting documentation to determine whether those expenses were reasonable, adequately supported, and properly authorized. In addition, the auditors verified the Guttman Association's compliance with bid requirements. The auditors also determined whether adequate segregation of duty was in place. For the stipend payments, the auditors reviewed the related Form 1099-Misc to verify whether a Form 1099-Misc was filed and accurately reflected the stipends paid to each student.

To assess whether the Guttman Association's Audit Committee functioned as required, the auditors judgmentally selected the period January 1, 2020 through June 30, 2021 (the most

current period in the audit scope) and requested for review the minutes for its proceedings and the documents related to its activities reported to the Guttman Association's Board.

Although the results of the sampling tests were not statistically projected to their populations, the results of the auditors' testing provide a reasonable assurance to support their conclusions related to the collection and disbursements of student activity fees.

STELLA AND CHARLES
GUTTMAN
COMMUNITY COLLEGE

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June 21, 2022

Ms. Maura Hayes-Chaffe
Deputy Comptroller for Audit
The City of New York
Office of the Comptroller
1 Centre Street,
New York, NY 10007

RE: Audit Report on Guttman Community College's Controls over Student Activity Fees FM22-077A

Dear Deputy Comptroller Hayes-Chaffe:

We have reviewed the above-referenced audit report dated June 6, 2022, and based on the recommendations made by the auditors, the Guttman Association plans to take the following actions to improve its operations:

Recommendation 1: Ensure that bidding or price research is conducted to ensure that prices are reasonable and that notation of quotes or bids from the solicitation is maintained when required.

Course of action: Management agrees with the auditors' finding and recommendation, with one clarification. Section V.A of the Fiscal Accountability Handbook states "State law and University guidelines must be followed by the Associations. These regulations should be reviewed annually for any changes". Exhibit N of the Handbook, cited in the finding, dates back to 1992; University thresholds have increased substantially since then. As corrective action, the college's Procurement Office will adhere to current State law and University purchasing guidelines as per Section V.A., including attaching all pertinent sourcing documents to Purchase Orders in the system of record.

Recommendation 2: Ensure that the Audit Committee's activity is in line with Guttman Association's Bylaws and that its proceedings are documented accordingly.

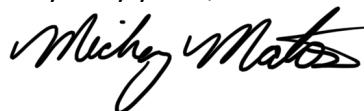
Course of action: Management agrees with the auditors' finding and recommendation. The college is in the process of identifying and appointing new independent Directors to the Association's Board of Directors, who along with one student Director will form the Audit Committee. They will meet periodically as per the Association bylaws, and their activities will be documented accordingly.

Recommendation 3: Ensure that all student activity fees receivable write-offs are properly authorized and documented.

Course of action: Management agrees with the auditors' finding and recommendation. As corrective action, write-off of student activity fees receivable will be supported with all pertinent documents, including CUNY guidance and supporting schedules. The records will be retained by the Stella and Charles Guttman Community Association in compliance with the CUNY record retention Policy.

Thank you very much for the opportunity to respond to the audit report. If you have any questions or need additional information, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink that reads "Michy Matos". The signature is written in a cursive, flowing style.

Exec. Dir. of Budget & Financial Planning

cc: Chancellor Felix V. Matos Rodriguez, PhD
Dr. Larry D. Johnson, President, Guttman Community College
Mary Coleman, VP Finance & Administration, Guttman Community College
Gordon Taylor, Associate Vice Chancellor for Audit
Shaini Mathew, University Executive Director of Internal Audit and Management Services