



# **City of New York**

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## **OFFICE OF THE COMPTROLLER**

**Scott M. Stringer  
COMPTROLLER**



### **MANAGEMENT AUDIT**

**Marjorie Landa**  
Deputy Comptroller for Audit

Audit Report on Eugenio Maria de  
Hostos Community College's Controls  
over Student Activity Fees

MD17-136A  
December 19, 2017  
<http://comptroller.nyc.gov>



THE CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
SCOTT M. STRINGER

December 19, 2017

To the Residents of the City of New York:

My office has audited the controls of the Eugenio Maria de Hostos (Hostos) Community College of the City University of New York (CUNY) over student activity fees to determine whether: 1) all student activity fees collected were turned over to the Hostos Association; and 2) the expenses incurred by the Hostos Association and funded by student activity fees were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws. We audit public entities such as Hostos Community College as a means of ensuring that funds are adequately used to the benefit of the students as intended.

The audit determined that all student activity fees collected from Hostos Community College students during Fiscal Year 2017 were turned over to the Hostos Association. However, in many instances auditors could not determine whether the expenses were reasonable and appropriate due to significant deficiencies with disbursement vouchers. The audit determined that Hostos: did not maintain a list of persons authorized to approve and certify disbursement vouchers; had inappropriate certifying signatures on some disbursement vouchers; had inadequate support for food and gift card purchases; had no evidence that it obtained bids or price comparisons for a significant number of sampled purchases; and had an inadequate segregation of duties over procurements.

The audit made 13 recommendations, including that Hostos should: ensure that signature cards are maintained; reinstruct staff charged with approving disbursement vouchers to verify the signatories; ensure that food purchases have adequate supporting documentation; require evidence of receipt for all types of monetary awards including gift cards; ensure that bidding or price research is conducted to confirm that prices are reasonable; and ensure that procurement functions are adequately segregated.

The results of the audit have been discussed with Hostos and CUNY officials, and their comments have been considered in preparing this report. Their 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](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in blue ink that reads "Scott M. Stringer".

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# **THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT**

## **Audit Report on Eugenio Maria de Hostos Community College's Controls over Student Activity Fees**

**MD17-136A**

### **EXECUTIVE SUMMARY**

The objective of this audit was to determine whether: 1) all student activity fees collected were turned over to the Eugenio Maria de Hostos (Hostos) Community College Association and 2) the expenses incurred by the Hostos Association and funded by student activity fees were reasonable, appropriate, and in compliance with prescribed guidelines and bylaws.

As part of their tuition payments, full-time and part-time students pay student activity fees for student government and other student activities. According to the City University of New York (CUNY) Bylaws, Article XVI, the College Association (Hostos Association) has the responsibility to supervise and review budgets for programs that are supported by student activity fees. The fees, when collected, must be turned over to the Hostos Association, and the expenses they support must be reasonable, appropriate and in compliance with prescribed guidelines and bylaws.

At Hostos, full-time and part-time students pay \$61.75 and \$28.25 respectively in student activity fees per semester.<sup>1</sup> Based on the college's reported student enrollment figures, \$723,319 in student activity fees should have been collected in Fiscal Year 2017 (summer 2016, fall 2016, and spring 2017). Once paid, the CUNY Bylaws require that student activity fees be deposited in a college central depository to be allocated and expended for various student activities.

When funds are requested (by a club, the athletic department, etc.) the student organization completes a disbursement voucher. This voucher must indicate the amount requested and provide a detailed explanation for the request, including the name of the activity and a description of items purchased. All disbursement vouchers must be accompanied by supporting documentation, such as receipts or invoices, and are submitted to the Office of Student Activities for review and approval by the Director of Student Activities. Once a disbursement voucher is approved, the Director of Student Activities forwards a check request to the Hostos Business Office for approval by the Business Manager. If approved, the check is then forwarded to the

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<sup>1</sup> In addition to these amounts, students also pay a \$1.45 fee for the CUNY-wide University Student Senate. The audit did not include a review of these fees.

Senior Vice President and Budget Director of Hostos for signatures and then used to pay one or several disbursement vouchers.

## Audit Findings and Conclusion

We determined that all student activity fees collected from Hostos Community College students during Fiscal Year 2017 were turned over to the Hostos Association. However, in many instances we could not determine whether the expenses were reasonable and appropriate due to significant deficiencies with disbursement vouchers, including inadequate supporting documentation and non-compliance with prescribed guidelines. Specifically, we found the following:

- Hostos did not maintain a list of persons authorized to approve and certify disbursement vouchers;
- inappropriate certifying signatures on some disbursement vouchers;
- food and gift card purchases were inadequately supported; and
- no evidence that Hostos obtained bids or price comparisons for a significant number of sampled purchases.

In addition, we found an inadequate segregation of duties over a number of procurements in that the same person made, approved and received purchases.

## Audit Recommendations

Based on the audit, we make 13 recommendations, including that Hostos should:

- Ensure that signature cards are maintained for all entities or that signatories are documented in some other manner.
- Reinstruct staff charged with approving disbursement vouchers to verify the signatories, and ensure that the disbursement vouchers are complete. If any disbursement vouchers are inadequately signed and/or not complete, staff should be instructed to return the disbursement vouchers to the clubs/organizations so that they can be adequately signed and/or completed.
- Ensure that food purchases have adequate supporting documentation, including signed attendance sheets.
- Require evidence of receipt for all types of monetary awards including gift cards.
- Ensure that bidding or price research is conducted to ensure that prices are reasonable.
- Ensure that functions are adequately segregated or implement other compensating controls including additional supervisory review.

## Agency Response

In its response, Hostos agreed with the audit's 13 recommendations.

# AUDIT REPORT

## Background

CUNY provides higher education to more than half a million students, as well as adult and continuing education students.<sup>2</sup> CUNY, which enrolls students in over 1,700 academic programs, consists of 24 institutions, including 11 senior colleges; seven community colleges; and six graduate, honors, and professional schools.

Hostos is one of seven CUNY community colleges. Hostos offers 27 associate degree programs and two certificate programs that facilitate student transfer to CUNY's four-year colleges or to baccalaureate studies at other institutions. Hostos enrolled 15,891 students in Fiscal Year 2017, including 8,191 full-time students.

As part of their tuition payments, full-time and part-time students pay student activity fees for student government and other student activities. According to the CUNY Bylaws, Article XVI, the Hostos Association has the responsibility to supervise and review budgets for programs that are supported by student activity fees. The fees, when collected, must be turned over to the Hostos Association, and the expenses they support must be reasonable, appropriate and in compliance with prescribed guidelines and bylaws.

The Hostos Association Board of Directors is comprised of the college President or his/her designee; two college administrators; two faculty members of the college and up to two faculty alternates; six students and up to three student alternates; and two independent Directors appointed by the college President.<sup>3</sup>

At Hostos, full-time and part-time students pay \$61.75 and \$28.25 respectively in student activity fees per semester. Based on the college's reported student enrollment figures, \$723,319 in student activity fees should have been collected in Fiscal Year 2017 (summer 2016, fall 2016, and spring 2017). Of this total, \$505,794 should have come from full-time students and \$217,525 from part-time students. Once paid, the CUNY Bylaws require that student activity fees be deposited in a college central depository to 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;

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<sup>2</sup> Adult and 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.

<sup>3</sup> An independent Director is defined as a former employee of the College of the Corporation, a college alum, a community member, or any other individual, who, has to be in line with the requirements of Section 102 of the Not-for-Profit Corporations Law.

- 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.<sup>4</sup>

Each of these activities is listed under its own budget line.

The Hostos Association oversees 11 student activity budget lines: Children's Center, Clubs and Organizations, College Association, Commencement Ceremony, Leadership Development, Media and Communication, SGA Official Stipends, Sports and Recreation, Student Activity Programming, Student Government Association, and Student Health Services. Several budget lines, including Sports & Recreation and Leadership Development, have an earmarked budget allocated and set aside specifically by the Board of Trustees. The budgets for other student activities, such as Clubs & Organizations, are allocated each semester by the Hostos Association Budget Committee.

The Hostos Association holds meetings to outline the spending plans for earmarked organizations, and to review budget proposals and allocate funds for the non-earmarked organizations. When funds are requested (by a club, the athletic department, etc.) the student organization completes a disbursement voucher. This voucher must indicate the amount requested and provide a detailed explanation for the request, including the name of the activity and a description of items purchased.

Budget lines on earmarked disbursement vouchers are managed by Hostos employees and the disbursement vouchers require two signatures—the person responsible for the activity and the faculty advisor. Budget lines on non-earmarked disbursement vouchers are student-managed, and as a result, require more oversight from the Student Government Association. Specifically, these disbursement vouchers require four signatures, including the person responsible for the activity, the faculty advisor, a member of the Hostos Association, and the Student Government treasurer.

All disbursement vouchers must be accompanied by supporting documentation, such as receipts or invoices, and are submitted to the Office of Student Activities for review and approval by the Director of Student Activities. Once a disbursement voucher is approved, the Director of Student Activities forwards a check request to the Hostos Business Office for approval by the Business Manager. If approved, the check is then forwarded to the Senior Vice President and Budget Director of Hostos for signatures. A check can be used to pay one or several disbursement vouchers. Payments can be made either directly to a vendor (for purchases on account) or an independent contractor (e.g. dance instructor), or as a reimbursement for out-of-pocket expenses incurred by a student or staff member.

## Objective

The objective of this audit was to determine whether: 1) all student activity fees collected were turned over to the Hostos Association and 2) the expenses incurred by the Hostos Association

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<sup>4</sup> 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 such 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.

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

The audit scope was January 1, 2016 to June 30, 2017. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

## **Discussion of Audit Results with CUNY and Hostos**

The matters covered in this report were discussed with CUNY and Hostos officials during and at the conclusion of this audit. A preliminary draft report was sent to CUNY and Hostos and discussed at an exit conference held November 17, 2017. On December 1, 2017, we submitted a draft report to CUNY and Hostos with a request for written comments. We received a written response from Hostos on December 15, 2017. In its response, Hostos agreed with the audit's 13 recommendations.

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

## FINDINGS AND RECOMMENDATIONS

We determined that all student activity fees collected from Hostos Community College students during Fiscal Year 2017 were turned over to the Hostos Association. We also found that the expenses we examined were generally supported by invoices. However, in many instances we could not determine whether the expenses were reasonable and appropriate due to significant deficiencies with disbursement vouchers, including inadequate supporting documentation and non-compliance with prescribed guidelines. Specifically, we found the following:

- a list of persons authorized to approve and certify disbursement vouchers was not maintained,
- inappropriate certifying signatures on some disbursement vouchers,
- food and gift card purchases were inadequately supported, and
- no evidence that bids or price comparisons were obtained for a significant number of sampled purchases.

Table I lists the deficiencies that were identified for the 318 disbursement vouchers.<sup>5</sup> We found that some vouchers had more than one deficiency and so the total number of deficiencies in Table I is greater than 318.

**Table I**

Deficiencies Found for the 318  
Disbursement Vouchers

Deficiency	Number of Vouchers	Percentage of Total Vouchers Sampled
Inappropriate Signatures	96	30%
Signatures that Could Not be Verified	199	63%
Inadequately Supported	100	31%
Incomplete Disbursement Voucher	36	11%
No Evidence of Bidding/Price Comparisons	151	48%

In addition, we found an inadequate segregation of duties in that the same person made, approved and received purchases. Finally, we found that certain portions of *The City University Fiscal Handbook for the Control and Accountability of Student Activity Fees* (Fiscal Handbook),

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<sup>5</sup> The 318 disbursement vouchers were associated with our sample of 101 checks (totaling \$101,070), taken from the population of 679 checks (totaling \$560,873) that the Hostos Association issued in Fiscal Year 2017.

which according to CUNY, “is the governing treatise the colleges are required to follow for use of student activity fees,” are outdated.

## **Issues with Disbursement Vouchers**

### **Hostos Did Not Maintain a List of Persons Authorized to Sign Disbursement Vouchers**

The Fiscal Handbook states that “At the beginning of each semester, signature cards shall be prepared, indicating the organization and college association officers assigned to sign payment requests.” However, Hostos does not maintain such signature cards. A Hostos official stated that signature cards are no longer used and that the Fiscal Handbook requiring them is outdated.

The official did not identify what Hostos is using in place of signature cards to verify that the persons who signed payment requests (disbursement vouchers) were authorized to approve them. Rather, the official provided us with copies of Club/Organization Registration forms, which are filled out by students to officially register their clubs with Hostos. These forms contained signatures of the club officers and faculty advisors authorized to sign disbursement vouchers, but they were not available for all of the clubs. In addition, the Club/Organization Registration forms are not required by the Hostos Association for any of the non-clubs that are also funded by student activity fees (e.g., Student Health Services, Sports and Recreation).

From the 318 disbursement vouchers we analyzed in connection with this audit (with associated checks totaling \$101,070), we were unable through a comparison with the Club/Organization Registration forms to verify signatories for 199 disbursement vouchers (63 percent)—including three club disbursement vouchers and 196 non-club disbursement vouchers. These 199 disbursement vouchers totaled \$59,578. Without documented signatures, Hostos is hindered in its ability to ensure that disbursement vouchers are being signed by authorized individuals and that the expenses are appropriate and legitimate.

### **Inappropriate Certifying Signatures on Disbursement Vouchers**

According to the Fiscal Handbook,

a requisition for disbursement of funds such as a payment request must contain two signatures; one, the signature of an officer of that organization or a person responsible for the program; the other, the signature of an approved representative (officer or designee) of the allocating body. This representative must be a college official (not a student) approved by the allocating body. . . .

According to Hostos officials, the first signatory—an officer or person responsible for the activity—is usually the president of the student organization and the second signatory—an approved representative of the allocating body—is generally the faculty advisor. An exception to this dual signature requirement is when the request for funds is for an academic course, in which case the person responsible for an activity and the approved representative would be the same person, the class professor.

Contrary to the above requirements, we found that a number of requisitions—also known as disbursement vouchers—were not signed either by the person responsible for the activity and/or the approved representative of the allocating body, notwithstanding the two signature rule.

Instead, we found that the Administrative Assistant of the Office of Student Activities often signed in place of one or both of these persons. We also found instances where the Director of Student Activities, who approves disbursement vouchers, also signs as the faculty advisor. These practices reflect Hostos' lack of adequate segregation of duties, a basic control that requires the person who approves the need for the purchase to be different from the person who approves the disbursement. (This issue is discussed in more detail later in this report.)

We also identified instances where other individuals who were not listed on the Club/Organization Registration forms signed disbursement vouchers. A Hostos official explained that outreach efforts for signatures are not always productive. The official stated that after an order is placed or a service is rendered, the Office of Student Activities will try for approximately two weeks to obtain a signature from authorized signatories within the student organization. If unsuccessful within that time frame, staff from the Office of Student Activities will fill out the disbursement voucher so that vendors can be paid timely. However, our review of the order dates and signature dates does not support this claim. We found a number of instances where the Administrative Assistant and/or the Director of Student Activities signed the voucher the same day or the day after the order was placed. We also found that some of the vouchers were reimbursements to students or staff for payments they already made to vendors. In these cases, it is unnecessary for the Administrative Assistant or the Director of Student Activities to sign in place of the authorized signatories in order to facilitate prompt payment as the vendors have already been paid.

Of the 318 disbursement vouchers reviewed, 122 were club disbursement vouchers and 196 were non-club disbursement vouchers. We obtained Club/Organization Registration forms for 114 of the 122 sampled club disbursement vouchers and identified the following issues with 74 of these:<sup>6</sup>

- 58 disbursement vouchers were not properly authorized, including 26 disbursement vouchers in which the Administrative Assistant inappropriately signed as both the person responsible and the faculty advisor, and 12 disbursement vouchers with other unauthorized signatures not recorded on the organization's registration forms;
- 20 disbursement vouchers contained signature dates that predated the dates of the disbursement voucher;
- 4 disbursement vouchers had photocopied signatures; and
- 1 disbursement voucher had missing signatures.

As previously stated, we were unable to verify that any of the 196 non-club disbursement vouchers were properly authorized because there were no signatory cards or Club/Organization Registration forms (containing the signatures of authorized personnel) associated with them. Additionally, we identified the following issues with 22 of the non-club disbursement vouchers:<sup>7</sup>

- 6 disbursement vouchers were signed by the Administrative Assistant as both the person responsible for the activity and the faculty advisor, demonstrating inadequate segregation of duties;
- 6 disbursement vouchers were inappropriately signed by the Director of Student Activities and/or the Administrative Assistant as the person responsible and/or the faculty advisor;

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<sup>6</sup> Some disbursement vouchers had more than one signature-related deficiency.

<sup>7</sup> Some disbursement vouchers had more than one signature-related deficiency.

- 7 disbursement vouchers contained signature dates that predated the dates of the disbursement voucher;
- 2 disbursement vouchers had photocopied signatures; and
- 3 disbursement vouchers had missing signatures.

In addition there were 13 instances where the approval to disburse the funds was missing from the disbursement vouchers, i.e., the signature of the Director of Student Activities was either missing or photocopied. Seven (totaling \$3,828) of these 13 were for food purchases from one vendor, three of which were only signed by the Administrative Assistant.

#### *Incomplete Disbursement Vouchers*

The disbursement voucher must include a detailed explanation for a request, including the name of the activity and a description of items purchased. Our review of 318 disbursement vouchers showed that 36 were inadequately completed. Specifically, 34 disbursement vouchers did not identify the event for which the funds were requested and two disbursement vouchers were not dated.

Hostos' failure to establish a mechanism to ensure that disbursement requests and approvals are properly authorized could lessen Hostos' assurance that the purchases were reviewed for appropriateness, which increases the risk that student activity fees may not be used for appropriate purposes.

## Recommendations

Hostos should:

1. Ensure that signature cards are maintained for all entities or that signatories are documented in some other manner.

**Hostos Response:** "The Association will create signature card forms for all student activity fee disbursement vouchers. Each card will be signed by the Person Responsible, his/her alternate, the Administrative Member, his/her alternate and the Dean or Manager that supervises the unit. Final versions of all signatures card will be in effect by January 31, 2018."

2. Establish written procedures for authorized back-up signatories and the circumstances under which they are allowed to sign disbursement vouchers in place of the original signatories.

**Hostos Response:** "Written procedures will be set up by January 31, 2018 and before the designation of alternate signatories, as referenced in the response to Recommendation 1, above."

3. Reinstruct staff charged with approving disbursement vouchers to verify the signatories, and ensure that the disbursement vouchers are complete. If any disbursement vouchers are inadequately signed and/or not complete, staff should be instructed to return the disbursement vouchers to the clubs/organizations so that they can be adequately signed and/or completed.

**Hostos Response:** "Staff will receive more formal retraining by January 31, 2018, but they will be reinstructed to verify signatories for each disbursement effective immediately."

4. Discontinue the practice of approving and paying disbursement vouchers containing photocopied signatures and approvals. If such disbursement vouchers are submitted to the Business Office for payment, they should be returned for adequate signatures and approvals.

**Hostos Response:** “Vouchers containing photocopied signatures and approvals will no longer be used, effective immediately.”

## Insufficient Supporting Documentation Was Maintained for Expenses

### Food Purchases Were Inadequately Supported

According to the Fiscal Handbook, the Hostos Association must solicit bids for catering (not meals provided to individuals) purchases of food. In addition, the disbursement voucher should contain a detailed explanation for the request, including the name of the activity. According to a Hostos official, student organizations are usually asked to look at three companies for price quotes. Since the Fiscal Handbook does not provide a price threshold for catering, we used a conservative figure of \$150 for a threshold.

We found most of the food purchases we reviewed had one or more deficiencies. Over \$25,000 in food purchases, comprised of 94 disbursement vouchers, were made from one vendor during Fiscal Year 2017—51 totaling \$21,720 were over \$150 and 43 totaling \$3,377 were under \$150.<sup>8</sup> Of these disbursement vouchers, we identified 93 totaling \$25,000 that were inadequately supported. These purchases had one or more deficiencies including:

- 51 (54 percent) of the 94 food purchases were for more than \$150, but none had evidence of bids or price comparisons;
- 13 did not specify the event for which the expense was intended; and
- 93 did not have any event flyer, agenda or signed attendance sheet indicating the event for which the food was purchased.

As discussed earlier, the approvals to disburse these funds were missing from the disbursement vouchers for seven of these food purchases. In one case, a purchase of \$1,565 was made to cater a Law and Social Justice event, but the disbursement voucher was not dated. The listed purpose of the expense was cited as catering services “during upcoming event.”

While the Fiscal Handbook does not specify requirements for food purchases, such as a per person maximum amount for meals, a Hostos official stated that most food orders fall within the \$7 to \$12 per person range. Exceptions to this, according to that official, include persons with specific food requirements and events during which more expensive meals are served (such as award ceremonies). We found that an attendance sheet was maintained for one of the 94 disbursement vouchers and either a list or a number of participants was included for three of the disbursement vouchers, thus allowing auditors to verify the price per person. Each of these four purchases fell within the \$7 to \$12 range based on the number of participants, but no such documents were maintained for the remaining 90 disbursement vouchers. However, in nine (10 percent) of the 90 disbursement vouchers we were able to identify individual meal purchases on

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<sup>8</sup> The food purchases from this vendor represent approximately 25 percent of the total dollar value of the 318 disbursement vouchers reviewed.

the receipts, and determined that these vouchers contained 79 meal purchases above the \$7 to \$12 range—with meal costs ranging from \$13 to \$29 per person.

A review of one receipt totaling \$383, for example, revealed that 12 of the 14 individual meals listed on the receipt were above the \$7 to \$12 per person range. The purchase included seven individual meals over \$20, with one costing nearly \$30. The event described on the disbursement voucher was a meal cost following a “Professional Development workshop.” It did not appear to be an instance where specific food requirements or event type warranted the cost.

Given the multiple deficiencies identified with these food purchases, we question the reasonableness and appropriateness of the expenditures. In cases where disbursement vouchers were incomplete and purchases were inadequately supported, there is limited assurance that the purchases were used as intended, obtained for the best price, properly authorized, and that the appropriate amount was purchased based on the number of attendees.

## **Insufficient Evidence Was Maintained of Gift Card Distribution**

According to a Hostos official, gift cards over \$25 require a recipient’s signature as proof of receipt. However, we found that signatures were not consistently obtained for gift cards. Our sample of checks included 13 disbursement vouchers totaling \$5,604 for gift cards (including the Gap, Macy’s and Amazon), ranging from \$25 to \$300, that were given as prizes at events. Of the 13 disbursement vouchers we reviewed, only six showed proof of receipts with either signatures and/or photographs of the recipients.<sup>9</sup>

We found inadequate evidence of receipt for the remaining seven gift card purchases we sampled totaling \$3,525:

- in four instances only a typed list of recipients was provided;
- in two instances a list of all event attendees (not recipients) was provided; and
- in one instance no recipient information was provided.

Accordingly, we found that Hostos does not ensure that student organizations submit lists to evidence receipt of gift cards. As a result, there is limited assurance that the gift cards were used as intended.

## **No Evidence Was Maintained That Bidding or Price Inquires Were Conducted**

According to the Fiscal Handbook, bids must be solicited for all types of purchases with the exception of postage, subscriptions, honoraria, travel by individuals, meals provided to individuals (not catering), memberships and advertising. Further, according to the *Procurement Policy and Procedures of The City University of New York*,

The University must follow generally-applicable procurement rules . . . when using Informal Purchasing Methods. Informal Purchasing Methods include Purchasing Departments conducting research into products or services that meet the University’s needs, determining the reasonableness of pricing and vendor responsibility, and justifying the selection of a particular vendor in the procurement record. . . . For purchases that are less than \$20,000, Purchasing Departments

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<sup>9</sup> In the absence of signatures, we accepted photographs of the recipients holding the gift cards taken at the event as evidence.

must obtain multiple oral or written quotes, or conduct and document internal or external pricing research, or use a combination thereof. While no formal competitive processes are required, Purchasing Departments are encouraged to use competition where possible.

Of the 318 disbursement vouchers, we identified 100 purchases totaling \$41,652 where bidding and/or pricing research should have been conducted, based on the type and dollar value of what was being purchased (excluding the food purchases mentioned previously). While formal bidding might not always be warranted, we would expect to see evidence of price comparisons. However, there was no evidence of bidding/pricing research for any of them.

Based on our sample, management did not require bidding or price inquiries for any purchases. For example, t-shirts were purchased for \$1,370 without evidence of price comparisons or quotes. In another instance, two engraved gavels were purchased for \$70 each. A quick internet search indicates that engraved gavels can be purchased for as low as \$33 each. Further, an \$898 drone was purchased for the Robotics Club without evidence of price comparisons.

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

## Recommendations

Hostos should:

5. Establish guidelines for food purchases, including clear per person maximums.  
**Hostos Response:** "Guidelines will be established using current city meal allowance figures as a basis. The guidelines will include measures to adopt in instances when the cost of the food exceeds the normal guidelines. Examples of exceptions to guidelines include catered ethnic and cultural special events, catered awards ceremonies, dining etiquette workshops, and post-championship meals."
6. Review the inadequately supported food purchases identified in the audit sample to determine if they were reasonable and appropriate and request recoupment where warranted.  
**Hostos Response:** "The matter was investigated and the funds in question were recouped. The guidelines referred to in the response to Recommendation 5 will ensure that there are no ambiguities concerning the reasonableness of meal expenses and when exceptions to cost limitations are permissible."
7. Review the food purchases that were not in the sample to determine if they were adequately supported and for those determined not to have been adequately supported, determine if they were reasonable and appropriate and request recoupment where warranted.  
**Hostos Response:** "The matter was investigated and besides instances where the exceptions referred to above in Course of Action 5 were warranted, we noted that there were no attendance lists attached to the payment vouchers processed. Effective November 15, 2017, the attendance sheet issue has been rectified."

8. Ensure that food purchases have adequate supporting documentation, including signed attendance sheets.

**Hostos Response:** “Effective November 15, 2017 the College began to fully enforce the requirement of adequate supporting documentation for all food purchases.”

9. Require evidence of receipt for all types of monetary awards including gift cards.

**Hostos Response:** “The practice of recording gift card recipient signatures was adopted effective November 15, 2017.”

10. Ensure that bidding or price research is conducted to ensure that prices are reasonable.

**Hostos Response:** “At least three vendors will be solicited to ensure that reasonable prices are obtained before the orders are placed; a file will be maintained of the vendors and prices.”

## Inadequate Segregation of Duties

Comptroller’s Directive #1 states,

Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

In addition, according to CUNY’s *Office of Budget and Finance Financial Management Guidelines – College Associations* (2007), “When adequate segregation cannot be implemented, adequate supervision must be maintained.”

However, we found that Hostos management did not ensure that there was an adequate segregation of duties. Specifically, the audit found that for 87 (27 percent) of the 318 disbursement vouchers reviewed, the Director of Student Activities made the purchase, signed as the faculty advisor/faculty member, and signed off as the approver on the disbursement voucher. The total value for these 87 disbursement vouchers was \$16,924. Based on the information in the order confirmation emails, in 38 (44 percent) disbursement vouchers, totaling \$8,998, the orders were shipped to the Director’s attention. Therefore, it appears that he also received the shipments. In one case, the Director of Student Activities initiated the purchase of a \$300 laptop computer, to be awarded to a winner of a raffle. He then signed the voucher as the faculty member, approved the disbursement voucher, and had the computer shipped to his own attention.

In the absence of adequate segregation of duties, the review process is undermined, leading to a lack of assurance that the purchases were appropriate, necessary, and used for the purpose/events for which they were intended. In addition, there is an increased risk of undetected errors or that the items ordered could be misappropriated or purchased for personal use.

## Recommendation

Hostos should:

11. Ensure that functions are adequately segregated or implement other compensating controls including additional supervisory review.

**Hostos Response:** “Disbursement vouchers will be changed so that approval for multiple student activity fee earmarks does not rest upon a single individual. This change will be effective following the first spring 2018 meeting of the Hostos Association.”

## Other Issue

### Outdated Policies and Procedures

According to Comptroller’s Directive #1, “Internal controls should be documented in management administrative policies or operating manuals.” We found, however, that a number of sections in CUNY’s Fiscal Handbook—the main document setting policies and procedures for managing student activity fees—are outdated. Hostos officials acknowledged this on several occasions. For example, requirements involving revised stipend amounts have not been updated, some forms attached as appendices are obsolete, and signature cards used for payment requests (disbursement vouchers) are no longer used. In addition, we also found that Hostos has not adopted its own policies and procedures to manage student activity fees and instead relies on the more generic Fiscal Handbook, which does not entirely reflect Hostos’ current practices.

In its response to the Comptroller’s Office *Calendar Year 2016 Checklist Agency Evaluation of Internal Controls Directive #1 - Effectiveness & Efficiency*, Hostos stated that its policies and procedures are periodically reviewed and updated as needed. However, this does not appear to be the case. As organizations change, their policies and procedures need to be updated to reflect changes in current operations. In the absence of current procedures, personnel may not be aware of how to handle certain tasks and may take an inconsistent approach to issues, which can lead to inefficiencies and errors.

### Recommendations

CUNY should:

12. Update the Fiscal Handbook to reflect current policies and procedures and continue doing so on a regular basis.

**Hostos Response:** “CUNY has already begun the process of updating the Fiscal Accountability Handbook governing student activity fees. A CUNY task force and working group are undertaking the work and among other activities has been gathering input from various stakeholders such as student government.”

Hostos should:

13. Create its own policies and procedures governing the use of student activity fees.

**Hostos Response:** “The Association will begin to discuss the creation of such policies following the first spring 2018 meeting of the Hostos Association.”

## 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 objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was January 1, 2016, through June 30, 2017.

To obtain a general understanding of how student activity fees are processed, we conducted walkthrough meetings with Hostos officials in charge of the day-to-day operations of student activities, and the disbursement of student activity fee funds. We asked Hostos officials to confirm our understanding of key operations in writing.

To obtain an understanding of the policies that regulate the collection and disbursement of student activity fees, we reviewed CUNY Bylaws Article XVI - Student Activity Fees and Auxiliary Enterprises and *The City University Fiscal Handbook for the Control and Accountability of Student Activity Fees* (1992). In addition, to obtain an understanding of the organizational structure of the Hostos Association, we reviewed the *Bylaws of Eugenio Maria De Hostos Community College Association, Inc.*

To obtain an understanding of allocation of student activity fees, we reviewed Hostos Association meeting minutes, Hostos Association Budget meetings minutes, and a sample budget proposal form. In addition, we reviewed the following external audits of financial statements performed in Fiscal Year 2015 and Fiscal Year 2016:

- *Eugenio Mario de Hostos Community College Association Inc. Financial Statements Financial Statements and Supplementary Information June 30, 2015 and 2014 (With Independent Auditor's Report Thereon)*
- Toski & Co., P.C. Management Letter Fiscal Year 2015
- Toski & Co., P.C. Report to the Board Fiscal Year 2015
- *Eugenio Mario de Hostos Community College Association Inc. Financial Statements Financial Statements and Supplementary Information June 30, 2016 and 2015 (With Independent Auditor's Report Thereon)*
- Toski & Co., P.C. Management Letter Fiscal Year 2016
- Toski & Co., P.C. Report to the Board Fiscal Year 2016

To obtain an understanding of the internal control procedures that are required to be established by all city agencies, we reviewed Comptroller's Directive #1 – Principles of Internal Control, Hostos Community College's *New York City Comptroller's Office Calendar Year 2016 Checklist Agency Evaluation of Internal Controls Directive # 1* checklist, and CUNY's Chancellor's signed Directive #1 letter.

To obtain an understanding of the purchasing regulations and financial guidelines, we reviewed the *Procurement Policy and Procedures of The City University of New York* and the *Office of Budget and Finance Financial Management Guidelines – College Associations*.

To obtain an understanding of the documents used for the disbursement of student activity fees, we reviewed a copy of the disbursement voucher for earmarked bodies and non-earmarked bodies.

To obtain an understanding of the Hostos Association's financial information, we reviewed the Chart of Accounts, Disbursements listing, Receipts listing, Journal, and General Ledger for July 1, 2016 through June 30, 2017 and an additional disbursements listing and General Ledger for January 1, 2016 through June 30, 2016. In addition, we reviewed the *Hostos Community College Association Projected Fee Allocation* for Fiscal Years 2016 and 2017 to understand the budget lines and their allocated fee by each semester.

To determine whether all student activity fees collected were turned over to the Hostos Association, we reviewed the receipts reports and receipts data listing for Fiscal Year 2017, received from the Hostos Business Office, and compared them to the Hostos Association bank statements to ensure that the amounts listed matched those that were deposited into the Hostos Association bank account. We also verified that the outstanding accounts receivable balance for student activity fees plus the total student activity fees collected matched our calculations based on the enrollment figures.

We obtained the student activity fee cash disbursements journal for Fiscal Year 2017, which included 679 checks totaling \$560,873. We excluded from the population any transactions with zero value.<sup>10</sup> We tested the list's accuracy and completeness by randomly selecting 50 disbursements and comparing the information in the data fields on the list to the hard-copy check stubs. We then randomly selected 50 checks from the hard-copy files and traced the information from the hard-copy documentation to the electronic file. We used the sample of the 50 randomly selected disbursements for the initial survey testing. After commencement of our review, we determined that disbursements for stipends, payroll, and certain tuition & fees accounts did not require disbursement vouchers (which were the primary focus of our review). Our random selection of 50 included nine of these type of disbursements, so we eliminated them from our sample. We then excluded all types of these disbursements as well as the disbursements that were selected as part of our initial sample from the initial population. We were left with a new population of 491 disbursements. From the new population, we randomly selected an additional nine disbursements to replace the ones initially selected. The initial audit sample of 50 checks, totaling \$37,995, contained 117 disbursement vouchers.

We reviewed the disbursement vouchers to determine whether they: 1) were maintained on file; 2) were adequately completed; and 3) contained required signatures. For club disbursement vouchers, we determined whether Club Registration Forms were on file and signatures on the disbursement vouchers matched the Club Registration Forms. Next, we determined whether disbursement vouchers were approved and had adequate invoices, receipts and/or contracts attached. In addition, we determined whether the expenses incurred were in compliance with guidelines and bylaws, whether sales tax was paid using student activity fees and whether bidding/pricing research was conducted.

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<sup>10</sup> There is one check of \$0 included in the population.

Based on the survey results, we expanded testing into fieldwork and judgmentally selected (based on payee and dollar amount) an additional 51 checks totaling \$63,075 (containing 201 disbursement vouchers). We performed the same testing for the additional sample and consolidated the results of the survey and fieldwork testing in a summary schedule for the 101 sampled checks totaling \$101,070 and their 318 associated disbursement vouchers.

To determine whether checks issued contained two signatures as required, we randomly selected 15 checks from our initial sample of 50 checks. We were provided with copies of the cancelled checks and reviewed them for the required signatures.

To determine whether a 1099-Misc. form was on file for students who received \$600 or more in stipend payments during a calendar year, we calculated the total payments for Calendar Year 2016.<sup>11</sup> We selected all students who received \$600 or more in stipends for Calendar Year 2016 and checked whether 1099-Misc forms were issued.

To determine whether students rightfully received stipend checks or had their stipend checks rightfully withheld, we selected all 117 checks that were issued for stipends.<sup>12</sup> We compared the checks to the backup documents to determine whether they should have been issued to the student, or withheld and applied towards any owed tuition and/or fees.

Although the results of our sampling tests were not statistically projected to their populations, the results of our testing provide a reasonable assurance regarding the processing of student activities fees.

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<sup>11</sup> The Internal Revenue Service (IRS) requires any person or company who makes certain types of payments (rent, royalties, payments to independent contractors) to report them on a 1099-MISC form to the recipient and the IRS.

<sup>12</sup> If a student owes tuition and/or fees for a prior semester, their stipend check is withheld and is applied directly towards this balance via the "tuition & fees" account.

December 12, 2017

Ms. Marjorie Landa  
Deputy Comptroller for Audit  
The City of New York  
Office of the Comptroller  
1 Centre Street, Room 1100  
New York, NY 10007

**Re: Audit Report on Hostos Community College's  
Controls over Student Activity Fees MD17-136A**

Dear Deputy Comptroller Landa:

We have reviewed the above-referenced audit report dated December 1, 2017, and based on the recommendations made by the auditors, the Hostos Association plans to take the following actions to improve its operations:

*Recommendation 1: Ensure that signature cards are maintained for all entities or that signatories are documented in some other manner.*

Course of action: The Association will create signature card forms for all student activity fee disbursement vouchers. Each card will be signed by the Person Responsible, his/her alternate, the Administrative Member, his/her alternate and the Dean or Manager that supervises the unit. Final versions of all signatures card will be in effect by January 31, 2018.

*Recommendation 2: Establish written procedures for authorized back-up signatories and the circumstances under which they are allowed to sign disbursement vouchers in place of original signatories.*

Course of action: Written procedures will be set up by January 31, 2018 and before the designation of alternate signatories, as referenced in the response to Recommendation 1, above.

*Recommendation 3: Reinstruct staff charged with approving disbursement vouchers to verify the signatories, and ensure that the disbursement vouchers are complete.*

Course of action: Staff will receive more formal retraining by January 31, 2018, but they will be reinstructed to verify signatories for each disbursement effective immediately.

*Recommendation 4: Discontinue the practice of approving and paying disbursement vouchers containing photocopied signatures and approvals.*

**Course of action:** Vouchers containing photocopied signatures and approvals will no longer be used, effective immediately.

*Recommendation 5: Establish guidelines for food purchases, including clear per-person maximums.*

**Course of action:** Guidelines will be established using current city meal allowance figures as a basis. The guidelines will include measures to adopt in instances when the cost of the food exceeds the normal guidelines. Examples of exceptions to guidelines include catered ethnic and cultural special events, catered awards ceremonies, dining etiquette workshops, and post-championship meals.

*Recommendation 6: Review the inadequately supported food purchases identified in the audit sample to determine if they were reasonable and appropriate and request recoupment where warranted.*

**Course of action:** The matter was investigated and the funds in question were recouped. The guidelines referred to in the response to Recommendation 5 will ensure that there are no ambiguities concerning the reasonableness of meal expenses and when exceptions to cost limitations are permissible.

*Recommendation 7: Review the food purchases that were not in the sample to determine if they were adequately supported.*

**Course of action:** The matter was investigated and besides instances where the exceptions referred to above in Course of Action 5 were warranted, we noted that there were no attendance lists attached to the payment vouchers processed. Effective November 15, 2017, the attendance sheet issue has been rectified.

*Recommendation 8: Ensure that food purchases have adequate supporting documentation, including signed attendance sheets.*

**Course of action:** Effective November 15, 2017 the College began to fully enforce the requirement of adequate supporting documentation for all food purchases.

*Recommendation 9: Require evidence of receipt for all types of monetary awards including gift cards.*

**Course of action:** The practice of recording gift card recipient signatures was adopted effective November 15, 2017.

Recommendation 10: Ensure that bidding or price research is conducted to ensure that prices are reasonable.

Course of action: At least three vendors will be solicited to ensure that reasonable prices are obtained before the orders are placed; a file will be maintained of the vendors and prices.

Recommendation 11: Ensure that functions are adequately segregated or implement other compensating controls including additional supervisory review.

Course of action: Disbursement vouchers will be changed so that approval for multiple student activity fee earmarks does not rest upon a single individual. This change will be effective following the first spring 2018 meeting of the Hostos Association.

Recommendation 12: CUNY should update the Fiscal Handbook to reflect current policies and procedures and continue doing so on a regular basis.

Course of action: CUNY has already begun the process of updating the Fiscal Accountability Handbook governing student activity fees. A CUNY task force and working group are undertaking the work and among other activities has been gathering input from various stakeholders such as student government.

Recommendation 13: Hostos should create its own policies and procedures governing the use of student activity fees.

Course of action: The Association will begin to discuss the creation of such policies following the first spring 2018 meeting of the Hostos Association.

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,



Executive Director of Business & Finance

cc: Chancellor James B. Milliken  
Gordon Taylor  
SVP Esther Rodriguez-Chardavoyne  
VP Nathaniel Cruz  
Catherine Rodriguez