The Richard Stockton College of New Jersey

July 1, 2005 to March 31, 2008
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Richard Stockton College of New Jersey for the period of July 1, 2005 to March 31, 2008. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
July 2, 2008
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The Richard Stockton College of New Jersey

Scope

We have completed an audit of The Richard Stockton College of New Jersey for the period July 1, 2005 to March 31, 2008. Our audit included expenditures accounted for in the college’s operating accounts. Annual expenditures total approximately $122 million. In addition, we reviewed financial transactions associated with the Series 2005C Bond issuance for $31.2 million. The Richard Stockton College of New Jersey is a liberal arts college which offers undergraduate and graduate programs. During the audit period, the enrollment was 7,200 students and the college employed approximately 900 full-time individuals.

Objectives

The objectives of our audit were to determine whether expenditure transactions were related to the college’s programs, were reasonable, and were recorded properly in the accounting systems.

The audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the Department of the Treasury, and policies of the college. Provisions that were considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We read the budgets, reviewed financial trends and reports of other auditors, and interviewed college personnel to obtain an understanding of the programs and the internal controls.
A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample transactions were judgmentally selected for testing.

**Conclusions**

We found that the financial transactions included in our testing were related to the college’s programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted certain internal control weaknesses meriting management’s attention.
Internal Controls

Management is responsible for establishing and enforcing internal controls through formal policies and procedures to safeguard assets from loss or unauthorized use. Currently, conditions exist which weaken this assurance in the areas of health benefits, overtime, and wireless devices.

Health Benefits

Health, dental, and prescription drug benefits are provided to eligible employees through the State Health Benefits Program (SHBP). Financing for the premiums are provided to the SHBP through state appropriations. The college is sent a billing statement each month from the SHBP for the total cost of their active employees' benefits. The college is responsible for collecting required employees' contributions, such as the health benefits premium, the 50 percent dental premium employee share, and leave of absence payments.

Coverage under the SHBP should be discontinued upon an employee's termination or retirement, in the event of death, and when an employee is suspended or on a leave of absence without pay. To ensure accuracy of coverage for employees, the billing statements should be reviewed by the college on a periodic basis, and any discrepancies reported immediately to the SHBP.

We compared individuals listed on the October 2007 bill to active employees on the college's payroll roster during the same time period. We found 24 individuals should have been removed from the college's benefits roster for the following reasons.

Health benefits rosters should be screened to ensure that only eligible employees are included.
Twenty-one of these individuals had terminated employment with the college dating back to 1996.

One employee was listed under two social security numbers with a charge for two different levels of coverage dating back to 2003.

One employee elected to waive dental coverage effective in 1999, but this request was not processed.

One individual who was never employed by the college was erroneously added to the college’s benefits roster in December 2006.

Premium overpayments resulting from these errors totaled $626,000.

We also tested 61 employees on leave without pay during the past few years to verify proper remittances for premiums due. We calculated premiums due to the SHBP for 56 employees totaling $107,000. Examples included two former professors who each went on a one-year unpaid leave of absence from the college with continued benefits at a cost of $15,000 and $13,000. One employee elected to waive coverage while on two separate leaves; however, the college failed to notify SHBP at a cost of approximately $11,000. Another employee owes over $10,000 for continued coverage while on leave of absence.

The above errors were a result of the following:

- The college does not perform a periodic review of the monthly SHBP billings to ensure only eligible employees are enrolled.

- The untimely notification to the SHBP of the change in employment status has
allowed coverage to continue past the eligibility period for a number of employees.

- The college did not properly advise employees of the status of their benefits while on leave of absence. The college did not properly and timely calculate the premiums due to continue coverage nor did they ensure collections of these amounts.

The college is currently in the process of terminating the coverage of all ineligible individuals. They are also in the process of collecting premiums due from employees who have been or are currently on leave without pay.

**Recommendation**

We recommend that the college develop formal policies and procedures to address employee and employer responsibilities under the State Health Benefits Program. Procedures should include a thorough review of current SHBP bills to ensure only eligible employees are covered and that terminated employees are removed in a timely manner. In addition, we recommend that the college reimburse the SHBP for the $107,000 in premiums due and continue their efforts to collect these premiums from employees.

**Overtime**

The college has no formal policy and procedures relating to the assignment and approval of overtime in the plant management department. Our review disclosed the following:

- Two office employees in the department charged overtime with no documented approval. These individuals clocked overtime hours at their own discretion almost every work day, including
holidays, weekends, and vacation days, beginning as early as 3:00 a.m. for an assigned 7:30 a.m. start. Overtime was also charged through the employees’ lunch breaks. These individuals received over 40 percent of their regular pay in overtime payments. Payments totaled $32,500 and $37,000 in 2006 and 2007, respectively. One of these individuals was the plant timekeeper who has the capability to manually adjust time in the time reporting system. An audit trail report of the adjustments is purged from the time reporting system at the end of each pay period. We noted that generous rounding of clocked overtime hours totaled $1,650 in 2006 and $2,800 in 2007 for this individual.

- One plant employee reports two hours early every day for a routine assignment. Overtime should be the result of nonrecurring or unexpected events rather than routine assignments. No scheduling adjustments were made to eliminate this need for overtime. These payments totaled $15,000 annually in 2006 and 2007.

- Two supervisors approved their own overtime. We were informed that one of these employees reports early on many occasions to set up events. However, we noted 220 work days where the employee charged overtime in calendar year 2007. Total overtime for this employee was $24,000 in 2006 and $23,000 in 2007.

**Recommendation**

We recommend the college develop a comprehensive overtime policy and implement procedures to ensure compliance. Regular work schedules should be adjusted to accommodate a routine daily assignment which would eliminate unnecessary overtime costs. In addition, all
manual adjustments in the time reporting system should be approved by a supervisor. The audit trail report of these adjustments should be retained at the end of each pay period.

Cost and Assignment of Wireless Devices

The college does not have a formal policy relating to the distribution, usage, and monitoring of services for wireless cell phones and Blackberry devices. Each department authorizes service to employees based on their available budget. One employee of the college sets up wireless accounts with one service provider, but is not responsible for determining necessity, monitoring usage, or analyzing costs. The college pays for service on approximately 90 wireless devices and claims to utilize the state contract. We noted that one individual assigned a Blackberry is not on the payroll.

We analyzed one year of the college’s wireless accounts for usage and cost totaling $52,000. We found that the state contract was not properly utilized. The college has 16 separate accounts and shared minutes are only pooled for the devices within each account. Many devices did not come close to the allowed minutes and 17 devices had usage less than 60 minutes for the year. Certain employees place an excessive number of 411 (information) calls at $1.25/call for a total of $720 for the year. One employee incurred charges of $300 for this service.

We found that if the college properly utilizes the state contract they could save approximately $18,000 (35%) annually. All calling plan only devices should be combined into one account with one provider and the Blackberry devices with calling plans should be combined into another account with a separate provider offering a more cost effective plan. We selected a service plan for each device based on usage history that
also considered shared minutes for the overall account to arrive at the estimated savings.

In addition, we noted approximately $9,000 in equipment charges for the period tested. These costs appear unreasonable, as free equipment is provided every two years by the service provider.

**Recommendation**

We recommend that the college develop a policy to address cell phone and Blackberry assignments and use. Costs should be monitored and plans adjusted accordingly to minimize cost.
June 19, 2008

Stephen M. Eells
Assistant State Auditor
Office of Legislative Services
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-0067

Dear Mr. Eells:

We have received the confidential draft audit report of The Richard Stockton College of New Jersey.

We have reviewed the findings in the audit report, which include: (1) reviewing health benefit rosters, (2) improving the overtime approval process, and (3) improving our monitoring of the cost and assignment of wireless devices.

We acknowledge the accuracy of the audit findings in the draft audit report and are in the process of developing corrective action plans to address these findings. The College will be improving our review of benefit rosters, developing written procedures for overtime approval, as well as establishing a process for assignment and monitoring wireless device usage.

We thank the audit team for their recommendations and the courteous and professional approach utilized in performing the audit.

Sincerely,

[Signature]

Paul G. Taman, CPA
Controller