New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Thomas Edison State College
and the State Library

July 1, 2005 to May 31, 2007

Richard L. Fair
State Auditor
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 Thomas Edison State College and the State Library for the period of July 1, 2005 to May 31, 2007. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
September 14, 2007
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Thomas Edison State College and the State Library

Scope

We have completed an audit of the Thomas Edison State College and its affiliate the State Library for the period July 1, 2005 to May 31, 2007. Our audit included expenditures accounted for in the Current Funds of the college and library. Annual expenditures for the college and library totaled $35 million and $29 million, respectively. We did not audit the Thomas Edison State College Foundation, Inc.

The mission of Thomas Edison State College is to provide flexible, high quality, collegiate learning opportunities for self-directed adults. The college offers 15 associate, baccalaureate, and master's degree programs in more than 100 areas of study. The mission of the State Library, an affiliate of the college, is to lead in the provision, promotion, and support of high quality library and information services to New Jersey residents.

Objectives

The objectives of the audit were to determine whether financial transactions were related to college and library programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report dated July 17, 2001.

This 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 Office of Management and
Budget, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, analyzed financial statements, and interviewed agency 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. Transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the college and library and performed tests to determine if the corrective action was effective.

We found that the financial transactions included in our testing were related to the programs of the college and library, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted certain internal control weaknesses and an excessive unrestricted fund balance which merit management’s attention. In addition, we noted the college and library had resolved the significant issues noted in our prior report except for travel costs. This issue has been updated and restated in our current report.
Fund Balance

Thomas Edison State College has excessive unrestricted fund balance amounts being carried over from year to year. State appropriation amounts should be monitored so funds are disbursed based on needs. The unrestricted fund balance at the college totaled $24.2 million at June 30, 2006. Unrestricted fund balance, which has averaged 69 percent of yearly expenses over the past four years, is currently four times the average appropriation amount received by the college, and is greater than one year’s tuition and fees. The college has requested state funding annually and the state has appropriated between $5.3 and $6.1 million with an average of $5.7 million to the college over the past four years. Tuition fees have increased an average of 7.75 percent annually during the same period.

Recommendation

Excessive unrestricted fund balances should be considered by the college during the budgetary process.

Employee Reimbursements

The college provides for payment of employee expenses that are deemed necessary and essential to transacting the official business of the college. Such expenses as travel, official receptions, and miscellaneous expenses related to college activities can be reimbursed to employees. Our audit disclosed inadequate controls over the monitoring of employee reimbursements, primarily where upper management submissions were involved. In addition, some employees approve their own business related travel plans. The lack of oversight and approval controls over all employee reimbursement requests has allowed for improper payments to be processed by the college.
We reviewed college employees with the highest level of travel reimbursements during our audit period and noted the following non-compliance issues.

- We noted 62 instances totaling $3,100 in which college employees were reimbursed for local lunches with fellow employees and business associates in violation of the travel policy.
- We noted 46 instances totaling $2,300 in which per diem rates reimbursed to employees were in excess of allowable amounts. In several cases reimbursements were three times the allowable per diem rate.
- We noted 23 instances totaling $2,400 for miscellaneous expenses of a personal nature which were reimbursed without adequate supporting documentation and/or in conflict with travel policies.
- Our testing disclosed the college does not require an itemized meal receipt. The majority of the receipts we tested only listed a total amount. This practice makes it difficult for the college to comply with policies which forbid the reimbursement of certain items (i.e. alcoholic beverages).
- We noted four instances totaling $400 where payments were reimbursed to employees who paid subsistence expenses on behalf of other employees and/or family members. Due to this allowance we found three duplications of meal reimbursements between employees.

Recommendation

We recommend the college reimburse all employees travel expenses in accordance with existing policies. The policy should be improved to require detailed supporting documentation prior to reimbursement. We also recommend the college strengthen oversight and approval procedures over upper managements' expenses.
Vacation Carry Forward

Leave time for officers of the college should be monitored.

Personnel procedures state that unused sick time continues to accrue from year to year; however, no more than one year’s allotment of vacation time (22 days) may be carried forward from one year to the next. Our review of leave time balances showed four of the thirty-five employees tested carried forward more time than is allowable. During fiscal year 2006, unallowable vacation carry forwards for these employees totaled $22,400. Our testing also disclosed three instances in which employee vacation time was not properly recorded. These exceptions involved primarily the officers of the college. Officers are responsible for recording and approving their own leave time with little or no oversight.

Recommendation

We recommend the college adhere to their established policies for recording carry forward leave time balances and implement adequate approval and monitoring controls over the review of officer’s time reporting records.
September 6, 2007

Stephen M. Eells  
Assistant State Auditor  
Office of the State Auditor  
PO Box 067  
Trenton, NJ 08625-0067  

Dear Mr. Eells:

Thank you for the draft audit report of Thomas Edison State College and the State Library that you transmitted on August 28th for the period of July 1, 2005 to May 31, 2007. Enclosed for incorporation in the audit report is the auditee’s response.

Thank you for the professional manner in which your staff conducted the audit.

Sincerely,

Michael J. Scheiring

jl
Enc.

c w/enc: Dr. George Pruitt  
Chris Stringer
September 6, 2007

Auditee Response

Fund Balance

The College concurs that fund balances are important. The College has experienced continuous major reductions in state funding. Our appropriation for FY 2008 has been reduced to $5.8 million, the same funding level the College had in FY 2000 when its enrollment was 9,500 versus today’s 16,425 students. Unreliable and declining state funding requires the College to use fund balances to manage enrollment growth for developing new programs, to invest in technology and to expand student services. Fund balances are used to lessen student tuition price changes. The College fund balances are critical to meeting budgetary challenges and student needs. Our strategic plan calls for investments totaling $20 million to support our academic goals.

Employee Reimbursements

The College’s policy requires the approval and documentation of employee reimbursements. Receipts must be submitted that include the purpose, the location, and the participants to the appropriate manager up to the senior officers of the College (vice presidents) prior to any payment being processed by the fiscal office.

Our policy sets a reimbursement per diem rate of $10 for breakfast and lunch and $25 for dinner. It allows for no overtime/overtime meals. The College does not require receipts for expenses below per diems. The College adheres to best practices and allows a single employee to submit on behalf of organization travel expenses that are reasonable. In all the matters cited, the documentation existed; it was examined at various levels, and was reviewed and approved prior to payment. The College will re-examine its reimbursement policies to determine if further changes are warranted and cost effective.

Vacation Carryforward

The College concurs with this finding. The College does not provide for overtime or compensatory time as a practice. Leave balances are accrued due to work demands. The College will take appropriate action to ensure compliance.