Montclair State University

July 1, 2003 to May 31, 2006

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 Montclair State University for the period of July 1, 2003 to May 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
January 25, 2007
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Montclair State University

Scope

We have completed an audit of the Montclair State University for the period July 1, 2003 to May 31, 2006. Our audit included expenditures accounted for in the university’s General Fund. We did not audit the Montclair State University Foundation or other affiliated organizations or funds administered by the university. Construction costs were not audited. Annual operating expenses of the university are approximately $191 million, of which $128 million is payroll of approximately 2,700 employees.

The management of the university is vested in its nine-member board of trustees appointed by the Governor, subject to the approval of the Senate. The university’s accounting system is not part of the state’s centralized accounting system. The university offers a broad spectrum of liberal arts education and professional studies for more than 16,000 students for both full-time and part-time undergraduate, graduate and doctorate programs.

Objectives

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

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 State Comptroller, 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 expenditure transactions. We also read the budget
message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of expenditure 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.

Conclusions

We found that the expenditure transactions included in our testing were related to the university's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance relating to the university's purchasing system, specifically the purchase card program which merit management's attention.
The university's purchase card program needs stronger internal controls.

Purchase Card Program

Montclair State University (MSU) had total purchase card (P-card) program costs of approximately $3.7 million in fiscal year 2005 and $6.8 million in fiscal year 2006 as of April 2006. MSU has expanded its program with over 200 P-cards issued to employees which represents ten percent of non payroll operating expenditures. The majority of the P-cards have $5,000, $10,000 or $20,000 credit limits with single purchase limits ranging from $500 to $2,925. Several P-cards have higher limits of $35,000, $50,000 and $775,000 with single purchase limits ranging from $2,925 to $200,000. The MSU purchase card program cardholder procedures manual states, "... it is mandatory the cardholder obtains and retains supplier documentation for purchases made in person or conducted by telephone/internet."

We selected 117 P-card transactions totaling $238,000 and noted that supporting documentation was not provided for 29 transactions totaling $214,000. The university's financial office did not provide the receipts, invoices or shipping slips we requested to determine the propriety of the expenditures, nor did they acknowledge a missing document by signing and returning our missing document form. As management could not produce that documentation, during our audit field work, we could not conclude as to the reasonableness or applicability of those items to the university programs. Subsequent to the end of our field work management was able to locate the backup documentation to support the reasonableness of 29 transactions as noted above.

Recommendation

The university should implement monitoring procedures to ensure proper internal controls over P-card purchases. Also the university should require P-card holders to adhere to the procedures documented in the purchase card program cardholder procedures manual.
January 22, 2007

Thomas R. Meseroll  
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Dear Mr. Meseroll:

Enclosed is Montclair State University's response to the audit findings regarding the Purchasing Card Program for the period July 1, 2003 to May 31, 2006.

It is our intention that this response be included in the official audit release.

Please feel free to contact me if I can be of any further assistance.

Sincerely,

Donald D. Cipullo  
Vice President for Finance and Treasurer

DDC:js

c: C. Coryat
January 22, 2007

The University’s P-Card program is designed for the direct purchase of small dollar items. The University has designated one card to be used to make payment to the vendor which provides food services on campus. Due to the nature of the transactions between the University and this vendor, the card designated for this purpose, is the only card with a single transaction limit of $200,000 and an overall monthly limit of $775,000.

The findings as reported regarding the University’s P-Card program relate primarily to the University’s document retention and retrieval procedures. According to the P-Card program’s policy, documentation for purchases made are maintained and stored by the department making the purchase. Several separate samples of transactions were requested of the University during fieldwork. Although there was a delay in providing all pertinent documentation, when all the sampled transactions were audited, the documentation and procurement procedures followed were, as noted in the audit findings, deemed reasonable.

Adherence to proper record keeping and accessibility to P-Card transaction records will be reinforced with the university community. The P-Card program will continue to be monitored on a routine basis by the Procurement Office, the Controller’s Office and the Office of Internal Audit.