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

The College of New Jersey

July 1, 2004 to November 30, 2005

Richard L. Fair
State Auditor
The Honorable Jon 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 College of New Jersey for the period of July 1, 2004 to November 30, 2005. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
January 18, 2006
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The College of New Jersey

Scope

We have completed an audit of The College of New Jersey (TCNJ) for the period July 1, 2004 to November 30, 2005. Our audit included expenditure activities accounted for in the college’s operating and capital accounts. Total expenditures during the audit period were $250 million. The College of New Jersey is primarily an undergraduate and residential college with targeted graduate programs. Our review excluded the activities of The College of New Jersey Foundation, Inc.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the College’s programs, were reasonable, and were recorded properly in the accounting system.

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 College. 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, examined the independent auditor’s report including supporting working papers, reviewed financial trends, 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 populations were sorted and 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 this determination, we noted certain internal control weaknesses and matters of compliance with regulations meriting management's attention.
The College should collect and review all outside activity forms.

**Reporting Outside Activity**

The College has a procedure where all employees are to report outside activity which is a state requirement. This reporting procedure serves to protect College employees by reviewing business and volunteer activities and assessing their potential for conflicts of interest. If the form is completed and the outside activity is approved at the College level, the employee has a measure of protection against future claims of conflict related to that activity. We found 64 employees with outside activity through a review of the Department of Labor’s Wage Reporting System. However, only eight employees filed the outside activity form. Upon bringing this information to management’s attention, the College sent a letter to the 56 employees who did not report outside activity and received 42 additional outside activity forms. As a result of our review, the College has changed their reporting procedure to require all employees to submit the form regardless of whether or not they had outside activity.

The College should continue enforcing the new outside activity policy.

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**Payroll and Time Reporting**

The College has 1000 full-time and 1500 part-time employees with annual payroll expenditures totaling $70 million. Full-time employees report time on an exception basis through monthly timesheets. Part-time employees fill out bi-weekly timesheets. It is management’s responsibility to establish and maintain an adequate system of internal controls which are essential in achieving the proper conduct of college business with full accountability for the resources made available. Controls also facilitate
the achievement of management objectives by serving as a system of checks and balances which guards against undesired actions occurring. Our review of timesheets disclosed several control exceptions.

Twenty-nine of the 1073 timesheets for full-time employees for the month of April 2005 were not signed by the employee and 56 were not approved by the supervisor. In addition, although these timesheets are prepared on a monthly basis, full-time employees are paid biweekly. Reporting and payment should match for ease of comparison. The monthly timesheets for April 2005 were paid on three separate paychecks. Furthermore, our test of 1127 part-time employee’s timesheets for the pay period ending April 1, 2005 disclosed the following two exceptions.

- Six hundred ninety timesheets were incomplete. The more significant issues included 499 missing employee signatures and 142 timesheets which did not contain actual hours worked.
- Twenty-eight timesheets did not support the paychecks issued.

**Recommendation**

We recommend that the College strengthen its review of timesheets and ensure that the timesheets match the pay period for full-time employees.
January 10, 2006

New Jersey State Legislature
Office of Legislature Services
Office of the State Auditor
Attention: Richard L. Fair
125 South Warren Street
P.O. Box 067
Trenton, NJ 08625-0067

RE: The College of New Jersey Audit Report

Dear Mr. Fair,

Enclosed are responses to the audit findings and recommendations outlined in The College of New Jersey audit report relating to the audit performed for the period July 1, 2004 through November 30, 2005.

If your office requires additional information regarding the enclosed responses, please feel free to contact Lloyd Ricketts, Associate Treasurer at (609) 771-2495.

Sincerely,

R. Barbara Gitenstein
President
THE COLLEGE OF NEW JERSEY
Responses to State Audit Report
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Findings & Recommendations: Reporting Outside Activity

Management’s Response

The College will continue to follow the newly implemented reporting procedures as recommended in the audit report.

Findings & Recommendations: Payroll and Time Reporting

Management’s Response

The College will review the current procedures that are in place for time reporting and will work toward strengthening internal controls in that area.

Of the 29 timesheets that were not signed, eleven followed the appropriate internal procedures for processing timesheets when the employee is not available to sign. Eighteen did not follow existing procedures.

In reference to the lack of employee signatures on timesheets, the College recognizes that given the current staffing levels, tight payroll processing schedules, and student employee availability, there is a problem with securing student employee signatures. The internal controls that are in place at the College are more stringent that those mandated by the Fair Labor Standards Act that does not require the employee signatures in-order to process payments. When processing timesheets, the College is required to, and always adheres to the minimum requirements of the Fair Labor Standards Act. We are currently reviewing student contracting and processing in order to streamline the process while maintaining acceptable levels of internal controls.

The twenty eight timesheets that did not support the paychecks issued represented a $129.49 discrepancy of the total payroll for the pay period reviewed (i.e., 0.2% of the total payroll). The College will strive to achieve a 0% error rate.

The existing process for both hourly and salaried staff timesheet review is manual. As funds become available, we will look toward the purchase and implementation of a web based time reporting system. In addition, given the limited staff available to process hourly timesheets, we will work toward simplifying the time reporting requirements for hourly employees in order to minimize manual edit checks.