

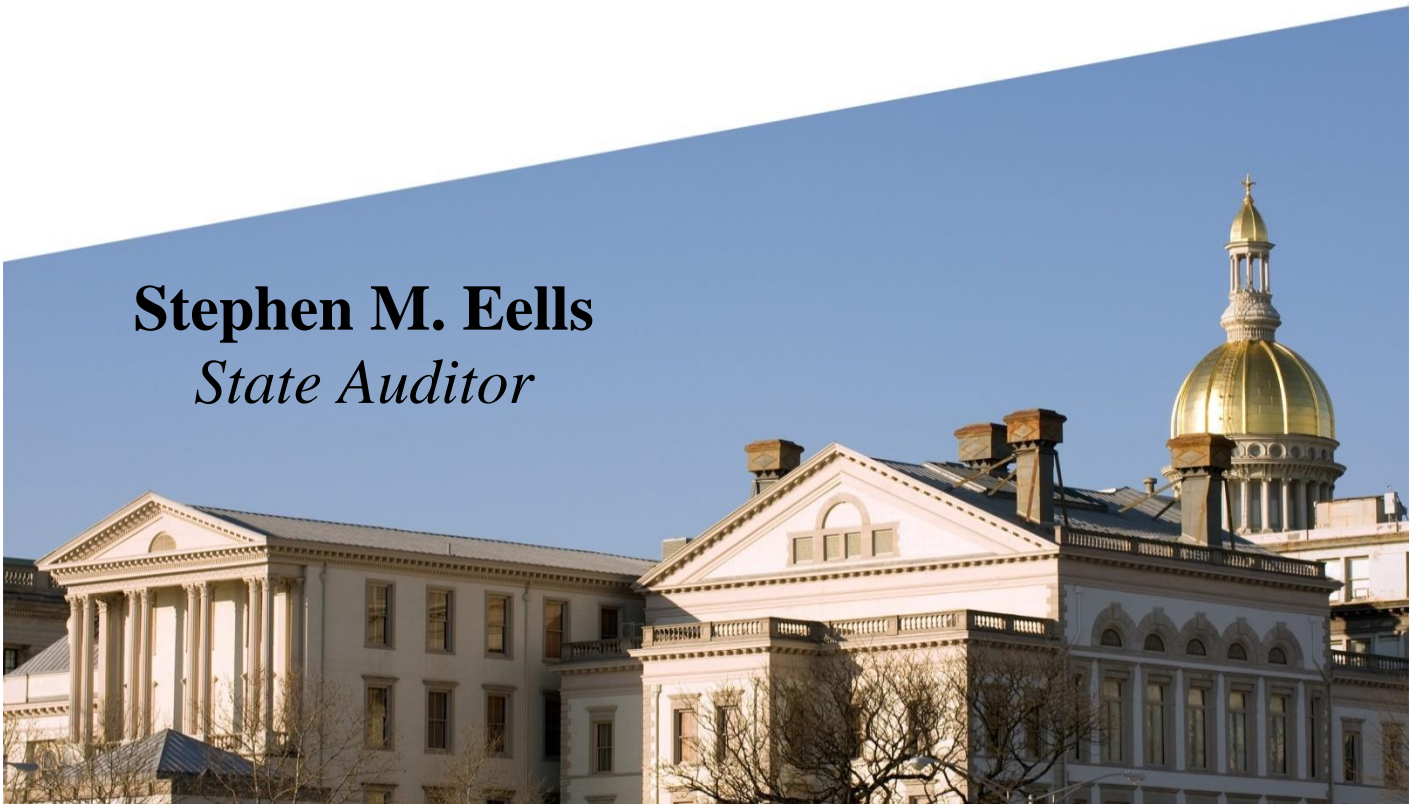


*New Jersey Legislature*  
★ *Office of* LEGISLATIVE SERVICES ★  
**OFFICE OF THE STATE AUDITOR**

Rowan University

July 1, 2016 to December 17, 2019

**Stephen M. Eells**  
*State Auditor*



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Enclosed is our report on the audit of the Rowan University for the period of July 1, 2016 to December 17, 2019. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells  
State Auditor  
July 16, 2020

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## *Scope*

We have completed an audit of Rowan University (university) for the period July 1, 2016 to December 17, 2019. Total operating expenditures per annual audited financial reports were \$506.6 million, \$560.0 million, and \$583.0 million, and annual operating revenues were \$363.4 million, \$393.9 million, and \$414.3 million in fiscal years 2017, 2018, and 2019, respectively. State appropriations were \$157.3 million, \$185.7 million, and \$182.2 million for fiscal years 2017, 2018, and 2019, respectively. The university's full-time equivalent student enrollments were 15,749 in fiscal year 2017 and 16,844 in fiscal year 2018. The university employed 2,681 full-time employees during fiscal year 2019. Our audit did not include transactions of capital project funds, the Rowan University Foundation, the South Jersey Technology Park, or the Student Government Association.

## *Objectives*

The objectives of our audit were to determine whether financial transactions were related to the university'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 I, 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. 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 objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the university. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We also read the reports of other auditors, minutes of the university's Board of Trustees, reviewed financial and enrollment trends, and interviewed university personnel to obtain an understanding of the university's programs and its internal controls.

Nonstatistical sampling approaches were used. Our samples of financial transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally and randomly selected for testing.

## *Conclusions*

We found the financial transactions included in our testing were related to the university's programs, were reasonable, and were recorded properly in the accounting system. In making these

determinations, we noted several areas meriting management's attention. We identified weaknesses in the internal controls over salary vouchers, faculty release time and sabbaticals, employee health and dental benefits, dependent scholarships, purchasing, athletic team meal money, and relocation expense reimbursements. Additionally, we made observations regarding faculty compensation from external sources and the university's student housing agreement with a developer in the City of Camden.

### ***Background***

Rowan University has undergone a period of substantial growth over the past decade. In 2012, the university opened the Cooper Medical School of Rowan University. One year later, the New Jersey Medical and Health Sciences Restructuring Act took effect, which officially designated the university as a public research institution and transferred the University of Medicine and Dentistry of New Jersey, School of Osteopathic Medicine to the university. Full-time equivalent student enrollment has grown by 65 percent from 10,229 in fiscal year 2012 to 16,844 in fiscal year 2018. The university's research portfolio has increased during this period as well, with external awards for research increasing from \$3.1 million in fiscal year 2011 to \$59.3 million in fiscal year 2019.

## Salary Vouchers

### **Controls over the processing of salary vouchers should be strengthened.**

Salary Vouchers (vouchers) are payments made to university employees for work performed outside of their regular duties. Vouchers are paid in addition to an employee's regular salary and are comparable to overtime or overload compensation. The university does not have formal policies or procedures in place for the processing of vouchers. Prior to fiscal year 2019, vouchers were submitted on a paper form with an area for supervisors to sign for approval. Beginning in fiscal year 2019, employees submit an electronic form which triggers a series of emails to various approvers. Once the necessary approvals are obtained, vouchers are forwarded to the payroll unit for processing.

From July 2016 through January 2019 the university paid \$13,653,738 in vouchers for non-teaching duties. We judgmentally selected a sample of 30 voucher payments totaling \$171,804 from this period. This sample was selected to ensure inclusion of employees from each of the university's three campuses as well as five vouchers paid from grant funds. Our test noted significant control deficiencies over the processing of these payments.

- 15 of 29 payments (52 percent) lacked documented pre-approval for the work performed.
- 9 of 30 payments (30 percent) were not approved by the designated supervisor. No deviations were noted on the electronic form.
- 22 of 30 payments (73 percent) did not contain adequate support for the rate of compensation.
- 20 of 23 payments (87 percent) were not adequately supported by time records.
- 21 of 29 payments (72 percent) included vague descriptions of the work performed or no description at all.

We identified seven voucher payments in our sample where employees might have performed work during their regular work hours; however, due to the lack of available time records and vague descriptions of work performed, we were unable to determine where the employees' salary-paid duties ended and voucher-paid duties began. Without adequate assurance that the work was performed outside of employees' regular duties, the current system could result in employees receiving duplicative payments through errors or abuse.

Additionally, we noted that the state's collective bargaining agreement with the American Federation of Teachers (AFT) includes a provision limiting the amount that faculty members can earn from outside-funded activities to a maximum of 30 percent of their base salaries or \$18,000, whichever is greater. We analyzed faculty compensation during the 2017-2018 academic year and noted five AFT faculty members received voucher payments in excess of 30 percent of their base salaries. Total voucher payments for these employees during the academic year ranged from

\$32,785 to \$100,505 ranging from 33 percent to 74 percent of their base salaries. Management attributed this issue to an increase in research among faculty and acknowledged that better controls are needed.

### **Recommendation**

We recommend the university establish formal written policies and procedures for voucher payments. At a minimum, the policy should require documented preauthorization of the work performed and rate of compensation. Support documentation should include supervisory approval and provide reasonable assurance that work was performed outside of the employee's regular duties. We also recommend the university implement a process to ensure AFT faculty do not receive voucher payments in excess of the contractual limitation on compensation from outside-funded activities during the academic year.



## **Faculty Release Time and Sabbaticals**

**University management should improve monitoring of faculty release time and sabbatical leaves.**

### *Adjusted Workload Program*

Per the AFT agreement, the basic academic year for a full-time faculty member shall be 24 teaching credits. The university has an adjusted workload program (release time) which allows tenure-track faculty members to apply for a one-course reduction of no more than three or four credits per semester of release time to participate in research, scholarly, or creative activities. The goal of this program is to encourage faculty participation in these activities, resulting in increased student involvement and external funding. College deans shall obtain and manage data regarding the status of each faculty activity resulting from release time, including the name of each faculty member, title of the activity, start dates, end dates, and detailed information on the goals, milestones, and deliverables proposed and accomplished for each related project. Per the release time program, college deans shall submit this data to the Associate Provost for Research who will create a summary progress report for the Provost to review and approve annually.

We requested detailed information from the Office of the Provost for a sample of nine AFT faculty members who received an adjusted workload and also earned additional compensation to their salary for non-teaching duties via salary vouchers during fall 2018. Our intention was to identify the projects for which the faculty members were granted release time, to ensure these projects were not duplicative of work for which they were compensated via salary vouchers, and to determine whether or not the goals or deliverables of the projects were met.

The Provost's office provided us with summarized information listing projects and presentations that faculty had worked on during the period we requested, but we were not provided with specific

information regarding the projects for which release time was approved. University management acknowledged that the detailed release time reports described in the university's agreement with the AFT have not been prepared and stated that the program's effectiveness is evaluated when faculty members reapply for release time which could be two years after the release time began. Due to the lack of specific information regarding release time projects, we were unable to determine if faculty members were compensated both via salary and salary vouchers for the same projects.

The university's agreement also allows new tenure-track faculty three credits per semester of release time automatically during their first two years of employment. We noted that two new faculty members in our sample each received six credits of release time in the semester we reviewed. We were informed these employees negotiated the additional release time during the hiring process.

### *Sabbatical Leave*

Tenured faculty with at least six years of service can apply for a full-year or half-year paid sabbatical leave to pursue a substantial project designed to yield publishable results or to pursue an accredited terminal degree. An agreement between the university and AFT requires that faculty prepare a written report to the Provost, via his or her college dean, to specify what was accomplished during the leave. This report should be submitted within two months of the employee's return from leave.

The university paid approximately \$2,561,094 to 51 faculty members with sabbatical leaves between July 2016 and January 2019. We randomly selected five faculty members with payments totaling \$320,814 for compliance with the AFT agreement. All five faculty members were eligible and paid properly; however, none of the written reports due upon return from sabbatical leave were forwarded to the Provost within two months, as required. At our request, the Office of the Provost reached out to college deans for copies of the written reports. Only one of the five reports was dated; however, it was dated four days after our request and approximately fifteen months after the faculty member had returned from sabbatical leave. University management was unable to provide evidence for the dates of submission for the other four reports. These reports are necessary to ensure faculty members used paid sabbatical leaves as intended.

### **Recommendation**

We recommend the university improve the monitoring of release time projects and sabbatical leaves. Detailed reports with the purpose and status of ongoing release time projects should be prepared by the university as required by its agreement with the AFT. We also recommend the university ensure all faculty members provide written reports upon return from sabbatical leave in a timely manner. These reports should be forwarded to the Provost, as required.



## Employee Health and Dental Benefits

**Controls over employee health and dental benefits should be strengthened to ensure only eligible employees are enrolled, enrollment changes are processed timely, and required employee contributions are collected.**

Full-time employees of the university are eligible to participate in the state's Division of Pensions and Benefits, State Health Benefits Program (SHBP) for health and dental benefits. Financing for the premiums is provided to the SHBP through state appropriations and offset by required employee contributions. The SHBP relies on the university to ensure that only eligible employees are enrolled and to collect the required employee contributions. Certain part-time employees are eligible to enroll in the SHBP provided they pay the full cost of their coverage.

We compared a December 2018 report from the SHBP listing all individuals enrolled in health and dental benefits to the university's payroll records during the same time period and identified individuals who were enrolled in health and dental coverage but did not make their required contributions toward coverage.

We identified 20 individuals who were erroneously enrolled in health benefits. Nine had separated from employment with the university, four moved from a full-time position to a part-time position and were no longer contributing toward their coverage, four should have had their coverage terminated due to nonpayment of premiums during an unpaid leave of absence, and three were enrolled without any payroll deductions for health coverage. Premiums for the period these individuals were enrolled in error were \$375,164 during our audit period.

We also identified 27 individuals who were erroneously enrolled in dental benefits. This included nine individuals who had separated from employment with the university, five who had elected to waive coverage but did not have their coverage terminated, five who moved from full-time to part-time positions and were no longer contributing toward their coverage, three whose coverage should have been terminated due to nonpayment of premiums during an unpaid leave of absence, and five who were enrolled without any payroll deductions for dental coverage. Premiums for the period these individuals were enrolled in error were \$20,404 during our audit period.

Additionally, we identified ten employees who were contributing toward their coverage while on unpaid leaves of absence. We reviewed support documentation from the human resources office and payroll records and found that the university failed to fully recover the required employee contributions from eight of these ten individuals during their leaves of absence. Total outstanding contributions for these individuals were \$3,124.

The university follows the SHBP guidelines but does not have written procedures for the cancellation of benefits, processing of changes, and collection of employee contributions during unpaid leave of absence. The university does not verify changes took effect after processing and does not review monthly SHBP reports of enrolled individuals for accuracy. The failure to

process these changes to employee benefits in a timely manner increases costs to the SHBP for administrative fees and claims paid on behalf of ineligible individuals.

### **Recommendation**

We recommend the university draft written procedures for cancellation of employee benefits upon separation, changes to employee enrollment status, and collection of employee contributions for unpaid leaves of absence. At minimum, these procedures should include a quarterly review of SHBP enrollment records for accuracy. We also recommend the university seek recovery of employee contributions from individuals who were enrolled but did not make the required contributions.



## **Dependent Scholarships**

### **Controls over the approval of dependent scholarships should be strengthened.**

Dependents of full-time employees with a minimum of one year of service can qualify for dependent scholarships if they meet certain eligibility requirements. Per university policy, the dependent must be a declared dependent on the employee's tax return and must maintain a minimum cumulative grade point average (GPA) of 2.5 to be eligible. If a tax return cannot be provided, university procedures permit students to receive the dependent scholarship provided they are a dependent on the employee's health benefits plan. Should a student's cumulative GPA drop below 2.5, the student is permitted a one-semester grace period affording them the opportunity to raise their cumulative GPA to 2.5 or above. Applications for the dependent scholarship are submitted online and processed by the university's human resources office.

The university awarded 195 students with dependent scholarships totaling \$957,911 for the fall 2018 semester. We randomly sampled 30 students receiving dependent scholarships totaling \$149,470 to verify eligibility. We found the university's formal written procedures for awarding dependent scholarships were not always followed resulting in the approval of dependent scholarships for ineligible students.

- Two students were awarded dependent scholarships in error. One was not a dependent of an employee, and the other failed to maintain a minimum cumulative GPA of 2.5 beyond the grace period.
- We could not verify dependent status for three students in our sample as there was no tax return available for inspection, nor were the students listed as dependents on a university employee's health benefits plan.
- Applications were not available for inspection for 3 of the 30 students in our sample.

- Two students finished the semester with cumulative GPAs below 2.5. Although they qualified during the semester we tested, we noted they were subsequently awarded dependent scholarships in error after failing to increase their cumulative GPAs to 2.5 or above during their grace periods.

### **Recommendation**

We recommend the university ensure a complete application and support documentation is provided prior to approval. We also recommend the university perform a thorough review of employee tax returns and student GPAs to ensure only eligible students are awarded dependent scholarships.



## **Internal Controls – Purchase Orders**

### **Controls over the purchase order process need to be strengthened.**

Excluding capital projects and grant funds, the university spent approximately \$79.6 million through the purchase order process between July 1, 2017 and December 31, 2018. We sampled 30 invoices totaling \$186,869 for goods and services procured through the use of purchase orders. This sample was based on various risk factors and was selected to ensure an equal distribution of invoices were selected for purchase orders that were below the quote threshold, between the quote and bid thresholds, and above the bid threshold. Our testing disclosed issues regarding segregation of duties, confirming orders, and contracts.

#### *Segregation of Duties*

A strong system of internal controls should include segregation of duties between the purchasing and receiving functions to mitigate the risk of unnecessary or improper purchases; however, university policy does not require independent verification for the receipt of goods and services. To make payment, the accounts payable unit relies on a system acknowledgment of receipt completed by an individual in the department which made the purchase. Copies of packing slips or service tickets are not forwarded to the accounts payable unit as independent verification of receipt. We found that the same individual who initiated a transaction also confirmed receipt for 21 of the 29 invoices tested (72 percent). Additionally, we noted that supervisory approval is not required for purchase requisitions, therefore no documentary evidence was available indicating anyone within the department had reviewed the transaction other than the individual submitting the requisition.

#### *Confirming Orders*

A confirming order is a purchase of goods or services before a purchase order has been authorized. The use of confirming orders is a violation of university policy which can result in

unrecorded liabilities and the overspending of budgeted funds. Of the 30 invoices we tested, 8 were confirming orders (27 percent) totaling \$7,501. We noted that a professional services invoice from April 2017 did not have an authorized purchase order until September 2017. This invoice was one of a batch of 102 invoices totaling \$124,425 charged against this purchase order. A cursory review of six other invoices totaling \$35,948 from this purchase order found that all of the charges were related to services rendered in the prior fiscal year. The budget account from which these invoices were charged would have required transfers from other accounts had these invoices been recorded in the appropriate fiscal year.

The university's accounts payable policy requests that vendors send invoices directly to a designated accounts payable inbox; however, 16 of 29 invoices in our sample were received by the department which made the purchase and subsequently forwarded to the accounts payable unit. The flow of invoices through the departments prior to submission to the accounts payable unit reduces the likelihood that unauthorized purchases are identified in a timely manner.

### *Contracts*

Two invoices we tested were for laboratory gases that were purchased on a state contract using standing orders; however, we were unable to match the invoices to the terms of the contract and the purchasing unit was unable to verify that contract pricing was received. The purchasing unit informed us that it is the responsibility of the department making the purchase request to verify proper pricing when standing orders are used but that it had recently come to its attention that not all departments were doing this. Additionally, we noted an invoice in our sample for sprinkler inspection services was in agreement with contract terms; however, the university could not verify that the aggregate amount paid for these services was in agreement with contract terms. Payments for these inspection services were not centrally monitored for contract compliance but spread across various departments and purchase orders. The absence of a match between invoiced amounts and contract terms could result in the university paying more than the agreed upon price for goods and services.

We identified two invoices in our sample from the same vendor for which proper competitive bidding was not done. These purchases were made under the terms of a prior agreement, which had expired, between the university and vendor. The university could have continued utilizing the same vendor under the terms of an existing state contract for these services; otherwise, it should have awarded a new contract through competitive bidding and a resolution by the Board of Trustees.

The university was unable to provide the applicable preventative maintenance contract for an invoice from our testing. We were provided with a copy of a contract extension for these services; however, the original contract detailing the work to be performed was not made available for inspection. It was noted that employees in various departments occasionally enter into contracts without authorization and those contracts are not always forwarded to the purchasing unit for review, which could result in contract terms less favorable to the university than if they were negotiated by the purchasing unit.

## Recommendation

We recommend the university strengthen its policies to require a supervisory level of approval for purchase requisitions and an independent verification of receipt for goods and services. We also recommend the university reduce its use of confirming orders and enforce its procurement policy to hold employees accountable for unauthorized purchases. Vendors should be instructed to remit all invoices directly to the accounts payable unit. We further recommend that the university strengthen controls to ensure all contracts are properly bid, payments agree with contract terms, and employees do not enter into contracts for the university without proper authorization.



## Internal Controls - Purchase Cards

**Compliance with internal policies and procedures governing the management and use of purchase cards should be improved.**

The university issues purchase cards (cards) to be utilized by employees for business purchases as an alternative method of procurement. Cards should only be used as a supplement to the university's purchase order process, in extreme emergencies, or with vendors who do not accept other forms of payment. The university utilizes a web-based card management system and has established policies and procedures governing the management and use of cards.

### *Purchase Card Usage and Request Forms*

Per the university's purchasing card manual, a completed Purchase Card Request Form, Accountholder Agreement Form, and Approver Acknowledgment Form are required for card issuance. These forms serve as documentation justifying the purpose of each card and as acknowledgment of each party's understanding of their responsibilities under the university's policy.

As of May 7, 2019, the university had 169 active cards. We analyzed usage of these cards and noted 24 cards had never been used and 6 had not been used in at least six months. We requested the Purchase Card Request Forms, Accountholder Agreement Forms, and Approver Acknowledgment Forms for six cards with little or no usage, but these documents could not be located.

Without these documents, we could not determine the intended purpose of the cards or whether the issuance of the cards was necessary for the university's business purposes. Each card issued presents a risk that it could be lost, stolen, or otherwise misused. We also noted that the university's purchasing unit has a card which can be used to make purchases on behalf of employees who are not issued a card.

### *Purchase Card Spending Controls and Profile Changes*

Cardholder profiles are established with monthly spending and single-transaction limits based on the varying needs of the cardholders. The university relies on automated controls over card transactions to ensure purchases do not exceed these limits. We identified and reviewed 692 card transactions from October 2017 through April 2019 which were subject to a single-transaction limit and found that the automated control functioned reliably during that time period; however, we noted multiple instances of card profiles being changed by the program administrator, either temporarily or indefinitely, to allow transactions to go through which would have exceeded those cardholders' previous single-transaction limits.

Per the university's purchasing card manual, a profile change requires an approved Change Request Form documenting the purpose of the change be submitted to the university's purchasing unit. We requested these forms for six card profile changes but were informed they could not be provided because the Change Request Form process had been eliminated; however, the elimination of this process was not formally reflected in the university's purchasing card manual. The utilization of card profile changes to circumvent the automated spending limits reduces the effectiveness of the spending limit controls and could result in cardholder spending limits remaining disabled erroneously.

### *Transaction Sign-Off and Accountant Sweep Feature*

University policy and procedures require a cardholder and an approver sign-off for all card transactions. Card transactions in a given month must have the required sign-offs completed by the 10<sup>th</sup> of the following month. If all required sign-offs for a transaction have not been completed timely, the card program administrator can utilize the system's accountant sweep feature to pull these transactions through the system to ensure timely payment so that the university does not incur additional charges for interest or penalties.

We analyzed all 5,222 card transactions totaling \$950,044 from September 2017 through April 2019 and noted the accountant sweep feature was used to pull 2,130 transactions (41 percent) totaling \$381,966 through the system prior to having all of the required sign-offs. The significant reliance on the accountant sweep feature is an indication that cardholders and approvers are not signing off on card transactions in a timely manner as required by university policy. The delay in cardholder and approver sign-off increases the risk that improper transactions will not be detected and limits the university's ability to take corrective action.

### *General Purchase Card Transactions*

Excluding cards held by the accounts payable and purchasing units, the university had 3,180 card transactions totaling \$605,085 from September 2017 through April 2019. We selected a sample of 50 transactions totaling \$28,055 to test for compliance with the university's purchasing card policy. This sample consisted of 35 randomly selected transactions and 15 judgmentally selected transactions considered higher risk for personal use. Our testing of these transactions noted the following weaknesses and questionable purchases.

- The cardholder did not upload a detailed, itemized receipt to the web-based card management system for 3 of 50 transactions (6 percent) as required by policy.
- Seven of 47 transactions tested (15 percent) included items prohibited by university policy. All seven of these transactions included New Jersey sales tax. One of these transactions included a purchase of alcohol. We could not determine the propriety of three additional transactions due to the lack of an itemized receipt.
- The cardholder did not properly complete the justification field for the use of the card in 5 of 50 transactions (10 percent).
- We identified 24 of 50 transactions (48 percent) as being for travel, entertainment, or information technology purposes and should have included properly completed additional documentation per university policy. All of these transactions lacked the additional documentation required or included an entertainment form signed only by the cardholders themselves after the event.

### **Recommendation**

We recommend the university issue cards only to those employees whose job duties require a card and retain copies of all forms required by policy and procedures. Card usage should be monitored to identify and deactivate cards which may no longer be necessary. We also recommend the university refrain from changing card profiles to circumvent spending limits. We further recommend the university enforce its purchasing card policy and hold employees accountable who fail to comply.



## **Athletic Team Meal Money**

**Policies and procedures for athletic team meals should be improved to ensure funds are properly spent or distributed.**

As permitted by NCAA regulations, the university athletics department provides either meals or a cash per diem for meals to student athletes and athletic team staff during summer training camps and while teams are traveling for competition.

Prior to fall 2019, the university issued purchase orders for each athletic team and would issue checks to team coaches as cash advances to either purchase team meals or to distribute cash to the travel party. The amount allocated for each athletic event was determined by several factors including the size of the approved travel party, distance and duration of the trip, and an approved amount per person. It was the responsibility of the coach to obtain signatures of all individuals who received a meal or cash, and to return all signature sheets, receipts, and any unspent cash to the athletic department for deposit prior to the next event.

From July 2017 to December 2018, the university disbursed \$302,293 for team meals through purchase orders. We judgmentally sampled 12 payments totaling \$12,810 to coaches who received the highest dollar amount of payments during this period. We tested these payments for propriety and noted the following issues.

- Unspent cash was not returned for deposit in a timely manner for 4 of 11 transactions where unspent funds remained. This includes one transaction from a coach who returned \$1,947 in unspent cash in a lump sum at the end of a four-month season.
- All signatures obtained for one event appeared to have been made by one person. We were informed that the team's coach forgot to bring the signature sheet and signed for the entire group after the trip. We reviewed support documentation for two additional payments for this team and noted what appeared to be several signatures made by the same person on one of the two additional signature sheets.
- Signature sheets were not returned timely for 4 of the 12 transactions we tested.
- Team meals were only provided for 2 of the 12 transactions we reviewed. Support documentation for these transactions included receipts that were not itemized, handwritten receipts, and receipts for non-food items such as pencils, batteries, and laundry detergent. One of these payments which was intended to provide breakfast during a team's training camp also included several receipts for lunches, dinners, and snacks as support.

While testing these transactions, we noted that the athletics department policy for team meal money lacked key information such as who was eligible to receive a meal, when a meal was to be provided, and how much per person was to be allocated for a meal. Additionally, we noted that the signature sheets do not explicitly state whether a meal or cash was provided. As a result, the potential exists that a coach could purchase a team meal with cash for an amount less than the allocation and keep any unspent cash without management's detection. Strong controls over the distribution of cash are imperative since cash is the most liquid of assets and susceptible to loss.

Beginning in fall 2019, team coaches were provided with purchase cards to be used for the purchase of team meals or to withdraw cash from a bank or ATM for distribution to the travel party. Signature sheets and receipts must be uploaded to a web-based card management system and meal purchases or cash distributions should not exceed the amount allocated for an event.

We performed a cursory review of support for five team events during fall 2019 to determine if the new process had addressed the control weaknesses we identified. We found that the signature sheets still do not explicitly state whether a meal or cash was provided and several receipts that were uploaded for team meals were not itemized. We also noted one coach, on two occasions, purchased team meals with the card for an amount less than had been allocated for the event and then withdrew the remaining funds from an ATM. A memo from the coach indicated that the cash withdrawals were to purchase snacks and protein bars for the team; however, no receipts

were provided as support, nor was any rationale provided why the snacks and protein bars were purchased with cash rather than the card.

### **Recommendation**

We recommend the university revise its policy for athletic team meals to include, at a minimum, a description of who is eligible to receive a meal, when a meal will be provided, and the amount the university will provide per person, per meal. We also recommend that signature sheets make clear whether the individual is signing for cash or a meal. We further recommend the university strengthen its review process of team meal purchases to ensure transactions are adequately supported, that only proper items are purchased, and that support documentation is uploaded in a timely manner.



## **Relocation Reimbursements**

**Controls over the processing of relocation reimbursements should be strengthened to ensure only allowable expenses are reimbursed.**

New faculty, professional or executive, managerial, and professional staff members, who accept employment with Rowan University, may be eligible to receive reimbursement for relocation expenses. The university reimbursed 46 employees a total of \$201,067 for relocation expenses from January 2018 through January 2019. We tested a random sample of ten relocation reimbursements from this period totaling \$69,624 for compliance with university policy and procedures. Five of the ten employee reimbursements tested included non-reimbursable items totaling \$9,189 as noted below.

- One employee was reimbursed \$3,885 for the rental of a home for his family for a period of one and a half months prior to relocation. Per policy, the university will only reimburse for lodging in transit.
- One employee was reimbursed \$5,182 for moving items from an address other than the home address. University policy states the moving of household effects from an address other than the home address is non-reimbursable.
- Three employees received reimbursements for non-reimbursable items totaling a combined \$122. These reimbursements included unpacking fees, round-trip mileage reimbursement, and food during the move. Per current practice, food is only reimbursable during house hunting trips and not during the move.

## **Recommendation**

We recommend the university perform a more thorough review of support documentation prior to issuing reimbursements. In addition, the university should clarify its relocation expense policy regarding reimbursable food costs.



## **Observations**

### **Faculty Compensation for Externally Funded Projects**

#### **The potential exists for increased cost recovery from external sources.**

The growth of its research portfolio has been a priority of the university and faculty are encouraged to seek external funding for research projects. This commitment is demonstrated by the significant increase in external awards to the university from \$3.1 million in 2011 to \$59.3 million in 2019.

Despite its increased focus on externally funded research, the university does not have a formal policy addressing the compensation of faculty from external sources and university practices across campuses are not consistent. Faculty working on externally funded projects at the School of Osteopathic Medicine have their regular salaries allocated directly to those projects while faculty at the main campus and Cooper Medical School of Rowan University (CMSRU), including those who have been granted release time from teaching duties to conduct research, have their regular salaries fully funded by the university with any compensation from external sources paid as additional compensation via salary vouchers. The current practice at the main campus and CMSRU limits the university's ability to recover salary, fringe benefit, and overhead costs associated with externally funded projects.

We reviewed policies and procedures of New Jersey's other public research institutions and noted that each has policies and procedures allowing for the recovery of all or a portion of faculty salaries from external sources. One of the universities, which utilizes the same collective bargaining agreement for faculty as Rowan's main campus and the CMSRU, requires faculty applying for release time to fully fund the applicable portion of their regular salary from external sources.

### **Housing Agreement**

#### **A long-term agreement for student housing in the City of Camden overestimated market rental rates resulting in significant subsidies from the university.**

In April 2014, the university entered a 20-year agreement with a developer for the development of housing units and guaranty of rental payments. The developer agreed to construct and renovate

59 one-, two-, and three-bedroom apartment units in close proximity to the CMSRU with the intention of renting units primarily to students at fair market rates. The university agreed to make rental shortfall payments annually to the developer in the event that the developer collects less than 95 percent of the aggregate standard rent for all units. Initial standard rent amounts were established by the agreement and are increased annually by the consumer price index (CPI). At the conclusion of the 20-year term of the agreement, the buildings will remain property of the developer and the university will have no further obligation to make shortfall payments.

Over the first three years of the agreement, the university made shortfall payments to the developer totaling approximately \$1.3 million from the CMSRU's operating budget. This amount is equal to \$4,043 per bedroom annually, or \$337 per bedroom, per month. Due to low occupancy, the university and developer agreed to reduce the rental rates charged to tenants; however, no reductions were made to the standard rent amounts used in the calculation of shortfall payments and standard rent has continued to increase annually by the CPI. Overall rent collections have increased, with the developer collecting 34 percent, 46 percent, and 67 percent of the aggregate standard rent in 2016, 2017, and 2018, respectively.

The agreement appears to have been favorable to the developer as the university has assumed most of the financial risk. It does not include a provision allowing for the reduction of standard rent amounts in the event that the standard rent was set above fair market rates. The agreement places no cap on shortfall payments over the first 10 years of the agreement and an aggregate cap of \$2.5 million for years 11 through 20.





July 9, 2020

**VIA EMAIL ([DKaschak@njleg.org](mailto:DKaschak@njleg.org) and [JBodnar@njleg.org](mailto:JBodnar@njleg.org)) AND REGULAR U.S.P.S.**

Mr. David J. Kaschak  
Assistant State Auditor  
Office of the State Auditor  
125 South Warren Street  
PO Box 067  
Trenton, NJ 08625-0067

***Re: Rowan University Audit Responses***

Mr. Kaschak:

We received your audit report of Rowan University covering the period July 1, 2016 to December 17, 2019. Your team's diligence during the audit was appreciated as they reviewed our Policies, Procedures and Processes while formulating eight recommendations that will assist the university moving forward. Below are the issues identified in the audit and our responses:

**1 Salary Vouchers (SV)**

The University is finalizing new guidance and approval process for faculty, staff and student vouchers. The process was enhanced in 2019 to improve the approval process and transparency through an electronic process. For the coming fiscal year, the process will require pre-approval of the work to be reimbursed through a salary voucher prior to the work beginning. Approval will start with the required department supervisor, relevant VP or SVP, human resources, research (should the funds come from a research grant) and budget and finance. Following completion of the work, payments will be made upon receipt of confirmation that the work was completed satisfactorily. To maintain compliance, the earnings of each AFT employee will be tracked via salary voucher to ensure compliance with the contractual limitations.

**2 Faculty Release Time and Sabbaticals**

The MOA with the Union on both issues date back to around 2009. New MOA's are being developed within the AFT to address issues highlighted in the audit. Specifically, final reports are

being required following sabbatical to be collected by Dean's and submitted to the Provost's Office, otherwise, faculty will not be eligible for adjusted load. For release time, "adjusted load", a University committee is creating a new policy that outlines the requirements for adjusted load that provides every faculty the opportunity to be evaluated for and earn 6 credits for scholarly activity annually. Additionally, a policy has been developed for faculty to "buy out" additional time for scholarly work using grant funds at a rate that matches the appropriate percentage of their academic year salary. Both policies are currently being negotiated as local agreements and will be in place for the beginning of the 2020/21 academic year.

### **3 Employee Health and Dental Benefits**

The University will develop a written procedure for cancellation of employee benefits upon separation, change to employee enrollment status, and collection of employee contributions for unpaid leaves of absence. Human Resources will conduct a quarterly review of SHBP enrollment against our database to ensure we capture the most updated information. We will address cases where the required contributions were inconsistent. Executive management will take the necessary actions to correct any significant inconsistencies, up to and including requiring refund of money owed.

### **4 Dependent Scholarships**

We will update our process to identify all dependent characteristics are applicable at the approval process and again at the end of the semester. Inconsistencies will be addressed promptly and should it be necessary refunds to the university will be required. All refund requests will be made at the discretion of executive management. We have created a new Dependent Tuition Scholarship application while separating departmental responsibilities and automatically generating reports for H/R, Bursar and Financial Aid Offices input. This new reporting will capture the significant data timely.

### **5 Internal Controls – Purchase Orders**

While the University system allows for the end-user to receive the goods and services they have requisitioned, all requisitioned products are budget checked by the departmental employee tasked with that job function. Anomalies that are not within the allotted budget funds and departmental needs are apparent through this process and need to be addressed by the central budget office. In addition, the department head is responsible for monitoring the individual budgets and has online access to review departmental spending.

The University is currently field-testing adding a layer of supervisory review for all requisitions that are placed in the system. It is the University's intent to add this layer upon completion of the successful field test.

The University has rewritten its Procurement Policy to hold individual employees accountable for confirming orders, which are committed to in writing and sent to the employee's supervisor.

The University is currently in the process of evaluating a contract software system that will allow for the processing and tracking of contract terms in a manner that will greatly minimize incidents of error.

#### **6 Internal Controls - Purchase Card**

The Office of Contracting and Procurement (OC&P), upon recommendations from the State, will revise the Purchasing Card Program's policies and procedures to include a semi-annual review of all card usage in order to eliminate or deactivate unnecessary accounts. Regarding spend control profiles, which are only adjusted on an as-needed basis, the OC&P will consider alternative increase methods including, but not limited to; monitoring requests, evaluating accounts that may need permanent increases and, alternately, utilizing OC&P's departmental card for the individual purchase. Furthermore, we will continue to suspend and ultimately terminate accounts who do not comply with the policies established by the OC&P.

#### **7 Athletic Team Meal Money**

The Athletics Department is updating our manual to include the following changes regarding athletic team meals: eligibility requirements of who can receive a meal, when meals are allowable, and the meal allowance provided. All meal money sheets have been updated to indicate whether individuals received cash or if meals were provided on the teams University Purchasing Card. In addition, coaches are required to provide all supporting documentation regarding team meals in a timely manner.

#### **8 Relocation Reimbursements**

We will enhance our policy & procedure to clearly identify the definition and rules surrounding meal allowance for relocation reimbursement. A checklist will be introduced to ensure the reimbursement procedure is followed properly.

Again, we appreciated the audit team's professionalism and assistance in working with Rowan University staff. The efforts spent on our operational efficiencies and compliance provide opportunities to improve our mission moving forward

Sincerely:

  
Joseph Scully (Jul 8, 2020 17:14 EDT)

Joseph F. Scully, Jr.  
Senior Vice President for Finance and  
Chief Financial Officer

  
Ray Braeunig (Jul 8, 2020 18:26 EDT)

Ray Braeunig  
Chief Audit, Compliance & Privacy Officer  
Ethics Liaison Officer