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August 7, 2020

Dr. Richard J. Helldobler, President
William Paterson University
300 Pompton Road
Wayne, NJ 07470

Dr. Lamont Repollet, President
Kean University
1000 Morris Avenue
Union, NJ 07083

Dr. Kathryn A. Foster, President
The College of New Jersey
2000 Pennington Road
Ewing, NJ 08628

Re: Follow-Up Report - Controls Over Collection, Allocation and Use of Student Fees at Selected New Jersey Colleges and Universities

Dear Dr. Helldobler, Dr. Repollet, and Dr. Foster:

On April 27, 2016, we issued an audit report, *Controls Over Collection, Allocation and Use of Student Fees at Selected New Jersey Colleges and Universities*,¹ in which we made recommendations to address various identified weaknesses. Pursuant to *N.J.S.A. 52:15C-1 et seq.*, we have conducted a review of the audited entities' respective corrective action plans to assess the implementation of the recommendations contained in our initial audit. Our findings and conclusions are set forth below.

Background, Scope, and Objective

In our initial audit of The College of New Jersey (TCNJ), William Paterson University (WPU), and Kean University (Kean) (collectively "schools"), we assessed the adequacy of the policies and procedures that govern the process for determining mandatory student fees, determined whether student fees were properly accounted for and monitored, and evaluated whether student fee revenue was spent in accordance with the fee's stated purpose. In our 2016 audit, we discovered

¹Available at: https://www.nj.gov/comptroller/news/docs/college_fees_audit_report.pdf.

that, other than Board of Trustee bylaws and resolutions, none of the schools had written policies or procedures governing the development and management of their mandatory student fee process. We also found that two of the three schools (TCNJ and Kean) did not maintain separate funds for mandatory fees and did not provide documentation justifying increases to these fees. In addition, we noted that all three schools were not fully transparent with regard to use of the fees.

Subsequent to our audit, on July 30, 2019, New Jersey enacted P.L. 2019, c. 201, which takes effect for the 2020 – 2021 school year. Codified, in relevant part, as *N.J.S.A. 18A:3B-6a*, the statute requires institutions of higher education to “develop written policies and procedures that establish a system of internal controls over the development and management of mandatory student fees and ensure that these controls are applied consistently.” *N.J.S.A. 18A:3B-6a(a)*. In addition, the schools are to “assess each of the institution’s mandatory student fees individually and document the criteria and justification for any adjustments made to the fees.” *N.J.S.A. 18A:3B-6a(b)*.

Our follow-up engagement objective was to verify if the schools have implemented the eight recommendations contained in our initial audit report for the 2017 – 2019 school years. Therefore, the scope of this review did not include verifying the schools’ compliance with the above referenced legislation. However, where appropriate, we have commented on the schools’ current mandatory fee programs as they relate to the requirements set forth in the newly enacted law. The schools are reminded to comply with the new law when it is in effect for the school year beginning July 2020.

Summary Conclusion

We found that each of the schools has made progress in implementing the recommendations set forth in our initial audit report. Of the three audit recommendations applicable to WPU, two were implemented and one was partially implemented. Of the four audit recommendations applicable to TCNJ, one was implemented, one was partially implemented, and two were not implemented. Of the seven recommendations applicable to Kean, six were implemented and one was partially implemented. Notwithstanding their statutory obligations under the new law, we remind WPU, TCNJ, and Kean to continue their efforts to fully comply with the recommendations not yet completed.

Status of Initial Audit Recommendations

Recommendation 1

WPU should ensure that two student representatives serve on its Board of Trustees as required by N.J.S.A. 18A:64-3.1.

Status: Implemented – WPU

Our initial audit found that WPU did not maintain two student representatives on its Board of Trustees (Board). WPU advised us in its corrective action plan that the University works with Student Government Association leadership to ensure student candidates are identified and encouraged to run for the position each year. We reviewed Board meeting minutes and confirmed that two student representatives served on the Board and attended meetings during Fiscal Years (FYs) 2018 and 2019.

Recommendation 2

In addition to Board of Trustee bylaws and resolutions, TCNJ, Kean, and WPU should develop written policies and procedures that establish internal controls over the development and assessment of mandatory fees and ensure those controls are applied consistently.

Status: Partially Implemented – TCNJ, Kean, and WPU

Our initial audit report found that TCNJ, Kean, and WPU did not have written policies and procedures specific to mandatory fee governance.

TCNJ advised in its corrective action plan that policies and procedures and internal controls over tuition and fees were developed and consistently applied. During the follow-up review, we found that TCNJ developed policies and procedures for mandatory fee governance, but did not apply them consistently. Specifically, TCNJ did not establish two mandatory fees based on the costs of the activities for which the fees are assessed as required by their policies and procedures.

Kean advised in its corrective action plan that policies and procedures and controls already exist, but that it would expand its written policies to codify how fees are developed and assessed, and to review each mandatory fee annually. We found that Kean adopted its formal policy on June 24, 2019. We reviewed the policy and determined that internal controls appear adequate. However, we could not test whether Kean had consistently applied its new policies and procedures because Kean did not use them in setting fees during the follow-up review period.

WPU advised in its corrective action plan that it had implemented a policy for student tuition and fee assessment. We reviewed WPU's policies and procedures for mandatory fee governance and determined that internal controls appear adequate. However, in FYs 2017 and 2018, WPU consolidated all university-controlled mandatory fees into its tuition rate to provide more transparency of its tuition costs. Therefore, we could not verify if WPU had consistently used its newly implemented policies and procedures for assessing its mandatory student fees.

We remind TCNJ and Kean of the importance for internal controls in the development and assessment of mandatory student fees and their responsibilities for such requirements under

N.J.S.A. 18A:3B-6a. We also remind WPU to comply with its newly implemented policies and procedures for the development and assessment of any mandatory student fees should any fees be considered and used separately from its tuition rates in the future.

Recommendation 3

TCNJ and Kean should assess each of its mandatory fees individually and document the justification and criteria used for any adjustments made.

Our initial report found that TCNJ increased its fees at the same rate as tuition and therefore did not justify fees on an individual basis. The audit also found that Kean did not assess fees on an individual basis or have a defined process to conduct a cost-benefit analysis in relation to mandatory fees.

Status: Not Implemented – TCNJ

TCNJ advised us in its corrective action plan that it assesses each mandatory fee individually and provides the analysis to the trustees with any rate adjustment recommendations. During the follow-up review, we found that TCNJ continued to use the same methodology identified in our initial audit when it increased two of the four mandatory fees based on the tuition rate increase amount. We stress to TCNJ the importance of our recommendation and its future obligation under *N.J.S.A. 18A:3B-6a* which requires not only individual assessment for each of the institution's mandatory student fees, but also documentation of the criteria and justification for any adjustments made to the fees.

Status: Implemented – Kean

Kean advised in its corrective action plan that it would expand its written policies to codify how fees are developed and assessed and review each mandatory fee annually. During our follow-up review, we found that Kean assessed each mandatory fee on an individual basis and was able to provide justification and criteria for fee increases.

Recommendation 4

TCNJ and Kean should establish separate funds for each mandatory fee to promote transparency of fee revenues and expenditures.

Our initial report found that Kean and TCNJ did not maintain separate funds for each of its mandatory fees.

Status: Implemented – Kean

Kean's corrective action plan did not identify specific actions it intended to take in response to this

recommendation and simply advised that it would review this recommendation in connection with the implementation of recommendations two and three and pending legislation requiring the establishment of separate funds for mandatory fees. We reviewed the financial records and activity reports and found that separate funds were established and utilized for each mandatory fee.

Status: Not Implemented – TCNJ

TCNJ advised us in its corrective action plan that it does not maintain separate funds for all mandatory fees. During our follow-up review, TCNJ officials advised us that it did not establish separate funds for all fees. We stress to TCNJ the importance of our recommendation and its future obligation under *N.J.S.A. 18A:3B-6a*, which requires the establishment of separate funds in the institution's budget for each individual mandatory student fee to promote transparency of fee revenue and expenditures.

Recommendation 5

Kean should implement accounting procedures that establish a process to accurately identify transactions related to mandatory fee activity.

Status: Implemented – Kean

Our initial audit report found that Kean could not easily identify all expenditures related to mandatory fees. Kean advised us in its corrective action plan that it has implemented accounting procedures that establish a process to accurately identify transactions related to mandatory fee activity. During our follow-up review, Kean officials advised us that separate funds were established and used to track the revenue and expenditures for all mandatory fees. As part of our follow-up review, we examined the mandatory fee reports and determined that Kean is identifying and tracking revenues and expenditures related to each mandatory fee in a dedicated fund.

Recommendation 6

Kean should comply with New Jersey Division of Archives and Record Management (DARM) requirements and maintain supporting documentation of copying expenditures for seven years.

Status: Implemented – Kean

Our initial audit report found that Kean did not retain supporting documentation for photocopying expenditures older than one year. Kean advised us in its corrective action plan that photocopying expenditure records are kept electronically and that the University complies with the State's record retention requirements. During the follow-up review, we examined a sample of photocopying expenditures and determined that Kean has retained supporting documentation for more than one year. Kean should continue its efforts with regard to these documents to ensure compliance with

the State's seven-year retention period.

Recommendation 7

TCNJ, Kean, and WPU should update their descriptions of mandatory fees to include all uses of fee monies, including salaries.

Status: Implemented – TCNJ, Kean, and WPU

Our initial audit report found that TCNJ, Kean, and WPU did not include salaries in their descriptions of mandatory fees. TCNJ, Kean, and WPU advised in their corrective action plans that mandatory fee descriptions were updated to identify all uses of fee monies, including salaries. During our follow-up review, we verified that TCNJ, Kean and WPU updated their mandatory fee descriptions to include relevant uses of mandatory fees, including salaries.

Recommendation 8

Kean should post current descriptions of its mandatory fees on its website to improve transparency of enrollment costs.

Status: Implemented – Kean

Our initial audit report found that Kean did not provide descriptions of its mandatory fees on its website. Kean informed us in its corrective action plan that it immediately posted fee descriptions on its website and reviews them regularly. During our follow-up review, we verified that Kean provided descriptions of its mandatory fees on its website for FY 2019.

Reporting Requirements

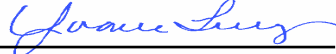
We provided a draft copy of this report to William Paterson University, Kean University, and The College of New Jersey officials for their review and comment. The three schools generally agree with our audit findings and conclusions. Their responses were considered in preparing our final report and are attached as Appendix A.

By statute, we are required to monitor the implementation of our recommendations. To meet this requirement, school officials must report periodically to advise us of what additional steps they have taken to address the unresolved issues in this report. The schools are required to report on the status of their corrective action plans within nine months of this final report. We will continue to monitor their progress.

We thank the management and staff of William Paterson University, Kean University, and The College of New Jersey for their courtesies and cooperation extended to our auditors during this review.

Sincerely,

KEVIN D. WALSH
ACTING STATE COMPTROLLER

By: 
Yvonne Tierney, Director
Audit Division

c: Michael Seeve, Chair, Board of Trustees, William Paterson University
Ada Morell, Chair, Board of Trustees, Kean University
Susanne Svizeny, Chair, Board of Trustees, The College of New Jersey
Stephen Bolyai, Sr. Vice President of Administration and Finance, William Paterson University
Andrew Brannen, Vice President of Administration and Finance, Kean University
Lloyd Ricketts, Vice President and Treasurer, The College of New Jersey



NJ State Audit Recommendation #2: In addition to Board of Trustee bylaws and resolutions, TCNJ should develop written policies and procedures that establish internal controls over the development and assessment of mandatory fees and ensure those controls are applied consistently.

The State Auditor's follow-up review found that TCNJ developed policies and procedures for mandatory fee governance but did not apply them consistently, specifically noting that two mandatory fees were not established based on the cost of the activities as required by the policies and procedures.

TCNJ's Response

The College's policies and procedures do not require that mandatory fee rates be established based solely on the cost of the activities they support. This is specified in the *Statement of Principles: Tuition and Fees* and the *TCNJ Budget Policy and Procedures* (Appendix A and Appendix C, respectively, of the [Student Fees Policy & Procedures](#)). As such, TCNJ has consistently applied its policies and procedures for the development and assessment of mandatory fees. See the College's response to Recommendation #3 below for further discussion.

NJ State Audit Recommendation #3: TCNJ should assess each of its mandatory fees individually and document the justification and criteria used for any adjustments made.

The State Auditor's follow-up review found that TCNJ increased its fees at the same rate as tuition and therefore did not justify fees on an individual basis.

TCNJ's Response

Each mandatory fee rate increase and/or the creation of any new mandatory fee is dictated by the institutional strategic priorities and are approved individually by the Board of Trustees as part of the College's annual budget plan. The criteria used in assessing mandatory fee increases are guided by the institutional priorities and the *Statement of Principles: Tuition and Fees* that were approved by the College's Board of Trustees as specified in the [Student Fees Policy & Procedures](#).

Annually, TCNJ develops a set of enrollment planning assumptions to forecast the budgeted revenues from mandatory fees and the adequacy to cover the expenditures they support. TCNJ has analyzed the individual mandatory fee rates compared to the anticipated expenses the fees support each year beginning in FY2018.

TCNJ has articulated that the revenues from its mandatory fees might not cover all the necessary expenses of the fee-supported cost centers. Increasing fees solely based on the anticipated expenditures is not consistent with TCNJ's policy and would have violated a key principle articulated by TCNJ's Board of Trustees in its *Statement of Principles: Tuition and Fees*:

Thus, when determining tuition and fees, the Trustees strike a balance between what students pay, and what the state and federal governments pay. That balance must take into account the finite costs of a quality education and that concomitantly, when, after rigorous internal cost control, state support decreases, tuition must increase if quality is to be preserved".

When evaluating each fee individually, the College followed its policies, procedures, and principles and made the decision to increase the Capital Facilities Fee and Student Center Fee by the same rate as tuition since that rate of increase would provide for sufficient funds to contribute towards the expenditures supported by each fee. However, the justification for the decision to increase the Capital Facilities Fee and Student Center Fee at the same rate as tuition was not clearly documented.

To remediate this, the College will clearly document its analysis, justification and decision on the fee rate increase for each fee individually beginning with the mandatory fees proposed to the Board of Trustees for approval for FY2021.

NJ State Audit Recommendation #4: TCNJ should established separate funds for each mandatory fee to promote transparency of fee revenues and expenditures.

The State Auditor's follow-up review found that TCNJ did not establish separate funds for each mandatory fee.

TCNJ's Response

In January 2020, The College of New Jersey went live on the Oracle Cloud ERP system. The Oracle Cloud chart of accounts includes separate fund values for the budgeted and actual mandatory fee revenues and associated expenditures and transfers that are funded from the fee revenues. Separate funds are established for each of the four mandatory fees: Capital Facilities Fee (recorded in the Capital Facilities Fee fund), Student Center Fee (recorded in the Student Center fund), Card Service Fee (recorded in the ID Card fund, and Student Activity Fee (recorded in the Student Activity Fee For SFB fund).

For example, the Capital Facilities Fee fund is part of the Unrestricted General fund group. This fund records the Capital Facilities Fee revenues, debt service expenditures, and asset renewal transfers to reserves. Each fiscal year, any funds remaining in the Capital Facilities Fee fund after debt service expenditures are transferred to unrestricted general reserve funds for future asset renewal and capital use.

The Computer Access Fee and Student Services Fee were no longer charged to students beginning in FY2018.

APPENDIX A - AUDITEE RESPONSE



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June 17, 2020

Barbara Galager, CPA
Deputy Director, Audit Division
Office of the State Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

Dear Deputy Director Galager:

Thank you for providing the University with the opportunity to formally respond to the follow-up review concerning the *Controls Over Collection, Allocation and Use of Student Fees at Selected New Jersey Colleges and Universities*.

We appreciate the audit acknowledgement that we have complied with and continue to comply with the recommendations #1 and #7 made in the April 2016 audit. However, the University believes it also has fully and not just partially implemented the findings in Recommendation #2. We do not understand why this is considered only partially implemented when in fact we complied exactly with the original recommendation. Policies and procedures were put in place as the audit requested and this review acknowledged our actions: "We reviewed WPU's policies and procedures for mandatory fee governance and determined that internal controls appear adequate". Following the audit, as noted, we consolidated the fees into tuition for transparency and clarity. With this action, it will always be impossible to assess those fees since they no longer exist. If in the future a mandatory fee is assessed, William Paterson University will adhere to our policies and procedures.

For William Paterson University,

Stephen Bolyai
Sr. VP for Administration & Finance

APPENDIX A - AUDITEE RESPONSE



KEAN

June 22, 2020

Kevin Walsh, Acting State Comptroller
Office of the State Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

Dear Mr. Walsh,

We have reviewed your recent report assessing the University's corrective action plan and implementation actions resulting from the 2016 audit report entitled, "*Controls Over Collection, Allocation, and Use of Student Fees at Selected New Jersey Colleges and Universities.*" As noted in your report, Kean University has fully implemented six (6) of the recommendations applicable to our institution and has partially implemented the remaining recommendation. As we move forward the University will achieve full compliance with the final recommendation as well as the new legislation governing mandatory student fees.

Sincerely,
Thank you for your time.

A handwritten signature in black ink, appearing to read "Andrew Brannen".

Andrew Brannen
Vice President for Administration and Finance

CC: Ada Morell, Chair, Board of Trustees, Kean University
Dawood Farahi, President, Kean University