



Commission on Higher Education Recommendations in Response to the SCI Report

Recent findings by the State Commission on Investigations (SCI) require thorough review. A strong system of financial and internal controls must be a cornerstone of higher education in the state.

The New Jersey Commission on Higher Education (CHE) provides coordination, planning, policy development, and advocacy for the state's higher education system. It serves as the principal advocate for an integrated system of higher education, which provides a broad scope of higher education programs and services.

In 1994, the CHE was created to replace the former state Department of Higher Education to provide greater autonomy and empower our colleges and universities to expand opportunities for our citizens, as well as provide future capacity and enhance the vitality of our state's economic development. Great strides have been made to increase access for our state's residents as our higher education institutions have grown and charted their own destinies. As stated in the SCI's report, the Commission itself recognizes that "generally, state college and university autonomy is working – and working properly."

As such, simply restoring the previous state higher education bureaucracy is not the answer to continue the quality development of our state's colleges and universities. In fact, we do not believe that it is in the best interest of the state to pursue any major changes to the existing higher education governance structure. There are, however, opportunities to enhance the current structure for the benefit of the higher education community and the residents of the state.

The CHE believes the systemic issues raised by the SCI must be addressed; with individual institutions being responsible for addressing the specific items in the report. Our recommendations focus on the system-wide concerns detailed in the report. We believe the principles outlined below can be supported by all the stakeholders involved and will provide opportunities for developing a more focused vision of higher education in New Jersey.

The CHE in collaboration with the state colleges and universities should develop recommendations on the following findings from the SCI report:

1. Strengthening state college and university governing boards.
2. Enacting Sarbanes-Oxley best practices in governance for fiscal accountability.
3. Establishing capital facilities plans.
4. Defining and codifying state college and university charters for maximum performance.

Recommendation 1: Strengthening State College and University Governing Boards.

The CHE should develop a qualification matrix including credentials, diversity, experiential background, etc. for use in developing a board composition that offers the highest probability of appropriate governance. Every board should have an audit function, and board members should be formally trained which could be coordinated by the CHE in collaboration with the colleges. Any training would include presenters with relevant expertise. This matrix should include additional specifications that reflect the unique aspects of each institution.

Recommendation 2: Enacting Sarbanes-Oxley Best Practices in Governance for Fiscal Accountability.

Sarbanes-Oxley was established to provide greater accountability of public companies. While the fundamental principles of Sarbanes-Oxley provide a useful framework, not every provision is appropriate for the not-for-profit sector, including state colleges and universities. Adopting key best practices from Sarbanes-Oxley for use by the state college and university system would be an appropriate response. The CHE, in collaboration with the colleges and universities, should help design, administer, and encourage compliance with financial accounting standards in line with both FASB and GASB regulations. CHE should help establish these internal control standards in conjunction with the state colleges and universities and include clear procedures for separation of duties and access of funds. Colleges should employ aggressive auditing programs to assure compliance with control standards. The results of these audits should, in fact, go to the Board Audit Committees and to the full Boards.

Background checks for new employees at appropriate functions and levels, annual disclosures of conflicts of interest, and strong codes of conduct are critical for the necessary oversight required and must also be implemented. CHE will work with the colleges and universities to determine the scope of employees included.

Both the President and Chief Financial Officer of each institution should voluntarily certify their financial statements, as required of public companies.

The Office of the State Comptroller is the most appropriate monitoring organization to ensure adherence to these standards, and the Governor should establish guidelines to encourage strict compliance.

Recommendation 3: Establishing Capital Facilities Plans.

Each college should be required to develop a long-term capital plan and budget for maintenance repair and capital improvements.

The CHE should be involved with each plan, and as appropriate to each institution, help to execute those plans.

The CHE should be charged with developing a state master plan, in collaboration with the institutions, for capital development, and advocacy to support that plan in collaboration with the New Jersey Educational Facilities Authority (EFA) and the colleges.

Recommendation 4: Defining and Codifying State College and University Charters for Maximum Performance.

We recommend that a joint task force be established between the CHE and the Presidents' Council to determine the feasibility of examining the existing charters and systems, in view of the historic role of each institution. The Task Force will focus on developing a system-wide plan to improve academic excellence and outcomes for the students and citizens of the state of New Jersey.

In implementing these recommendations, collaboration between the CHE and the state colleges and universities will be critical. As such, we should do everything possible to work with the Governor and the presidents of the state colleges and universities and all stakeholders to address the clear vulnerabilities identified in the report and implement these recommendations to fortify the existing governance system. These control systems will help to ensure that the funding of higher education and the use of higher education funds are appropriate and consistent with state laws and monitored as determined by best practice standards. The CHE has an important role to play in these improvements, ensuring compliance with standards, establishing appropriate guidelines for state colleges and universities, and working with them to provide plans and programs to implement these recommendations thereby enhancing both annual appropriations policy and long term development.

These recommendations call for the necessary oversight and adherence to the state college and university guidelines and controls while preserving the well-understood benefits of an autonomous, locally-controlled system. This approach will help to strengthen New Jersey's system of higher education and increase confidence in it.