



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

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**EXECUTIVE SUMMARY**

**KEAN UNIVERSITY  
July 1, 2015 to December 31, 2016**

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 systems. In making these determinations, we noted certain internal control weaknesses over procurement and matters of compliance relating to the university's outside activity questionnaires and to the foundation's issuance of Internal Revenue Service Form 1099s to university employees which merit management attention. We also made an observation regarding the accountability of student mandatory fees.

**AUDIT HIGHLIGHTS**

- As a best practice, in order to minimize operational cost, the university should solicit price competition for the purchase of goods and services. We compared its procurement requirements to other New Jersey public universities for those purchases below the \$33,000 public bidding threshold required by N.J.S.A. 18A:64-54. We found that the university's competition requirements are not adequate. For example, eight universities require a minimum of three price quotes from vendors for purchases that are more than \$6,000, while the university only requires one price quote for purchases between \$500 and \$33,000. During fiscal year 2016, the university purchased approximately \$8.3 million in goods and services from more than 1,200 vendors that met its one-price quote requirement.
- In accordance with N.J.A.C. 19:61-5.9 (c), "Every State employee and officer shall, however, at a minimum complete and file a new Outside Activity Questionnaire with his or her agency's Ethics Liaison Officer every three years, and whenever there is a change in the employee or officer's outside activity or State employment". As of February 2017, based on the university's database, excluding adjunct staff, we found only 495 employees out of 1,485 (33 percent) filed the questionnaire with the university's Ethics Liaison Officer.
- The Kean University Foundation utilizes university employees for its staffing and subsequently reimburses the university for these payroll expenses. In our review of all IRS Form 1099s issued by the foundation in 2015 and 2016, we noted \$61,000 of payments to four university employees. Contrary to IRS regulations, these payments were improperly reported as independent contractor compensation on the IRS Form 1099 and not as employee wages on the IRS Form W-2. The foundation may be obligated for additional payroll taxes for not reporting these payments as employee-related wages.

**AUDITEE RESPONSE**

The university generally concurs with our findings and recommendations.

For the complete audit report click [here](#).