

November 9, 2006

Legislative Task Force on Higher Education

Testimony by Richard L. McCormick

President of Rutgers, The State University of New Jersey

COMMENTS REGARDING
INTERNAL CONTROL MEASURES

I am pleased to furnish, pursuant to your request, the following additional information regarding internal control measures at Rutgers.

Rutgers has had in place for years numerous policies and practices regarding internal control measures. Indeed, well prior to passage of Sarbanes-Oxley Act of 2002, which, as you know, does not apply to higher education or other public or not-for-profit entities, the University had done much in the area of internal controls. For example, Rutgers created a Standards for University Operations handbook which served as a plain language guide to remind the University community of our policies and procedures governing

our business practices and to emphasize our stewardship of University assets, revenues and resources. By way of example only, these policies addressed employment of relatives, codes of ethics, outside employment, grant and contract accounting, acceptable use of computer resources and proper use of consultants.

Thereafter, upon passage of Sarbanes-Oxley, Rutgers studied emerging best practices in higher education in order to enhance institutional accountability and responsibility.

Time does not permit me to describe in detail all of the measures that are in place at Rutgers, but I can provide the following general information that is responsive to your request.

Rutgers' Audit Committee of the Board of Governors is independent of the senior administration and consists of individuals with outstanding credentials and substantial financial expertise. The Internal Audit Department of the University is comprised of certified professional auditors and reports quarterly to the board's audit committee on internal control matters. As part of its ongoing professional development program, the

University offers a certificate program in the business, accounting and information technology areas.

The University uses an independent external auditing firm whose work is limited to the auditing function. Independent auditors do not perform management functions at Rutgers. The Audit Committee of the Board of Governors is responsible for appointment and oversight of the independent auditor.

In 2005, Rutgers modified its conflict of interest policy, originally issued in 1983, for members of its Board of Governors, Board of Trustees and University officers. The policy now provides for annual financial disclosure forms, procedures for disclosure of actual or potential conflicts of interest and for recusal of Board members and officers from participation in discussions and votes on matters where a conflict exists.

Within the past two years Rutgers also has revised and reissued its travel and expense reimbursement policy which sets forth what is and is not reimbursable and we instituted review procedures that assure compliance with our rules.

Earlier this year, Rutgers revised its political activity policy, originally issued in 1971, that prohibits the University from participating in political campaigns for public office. This is consistent with law and the policy expressed in the Rutgers Act of 1956 that the conduct of the University shall be free of partisanship.

All of the policies mentioned above are part of an extensive on-line, searchable University Policy Library that facilitates access to our policies and procedures and that promotes a culture of compliance with internal control measures.

Rutgers appreciates that the academic freedom and institutional autonomy that are necessary for academic excellence must be accompanied by governance structures and internal accountability rules that are consistent with Rutgers' fiduciary obligations to the people of the state of New Jersey.