

STATEMENT OF AUDITING AND ACCOUNTING STANDARDS
FOR COUNTY COLLEGES

(Recommended by Council of County Colleges for use by Department of Treasury pursuant to
N.J.S.A. 18A:64A-22 & 29)

“Accounting Standards” refers to the auditing and accounting standards for State support as set forth in this document.

I. Accounting and Finances:

(a) The accounting system and reports of a county college shall be maintained in accordance with Chapter 5 of the most recent edition of College and University Business Administration published by the National Association of College and University Business Officers, One Dupont Circle, Washington, D.C. 20036 and any subsequent revisions thereof except where otherwise specified in this Standard. Each college shall adopt a system of accounts consistent with the standards and guidelines of the American Institute of Certified Public Accountants (AICPA). Costs borne by the State and county on behalf of the college shall not be reflected on the financial statements and related reports of the college.

(b) As required by N.J.A.C.9A:1-1.7(c) and the Single Audit Act of 1984 as amended, not later than December 31, each county college shall annually file with the Office of the Secretary of Higher Education and the Office of Management and Budget, Department of the Treasury (i) a copy of its audited financial statement and management letter(s) (if issued). By November 1 each college shall also file with the foregoing agencies an audit of student enrollment. These audits shall be conducted by a certified public accountant of New Jersey. The financial audit shall be in accordance with the Industry Audit Guide for Audits of Colleges and Universities, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, and as modified by applicable Financial Accounting Standards Boards (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements cited in Codification Section Co5, Colleges and Universities. The enrollment audit shall be in accordance with these Standards, the New Jersey Administrative Code, and standards established by American Institute of Certified Public Accountants.

(c) The audit engagement shall require that the lead and reviewing audit partners will rotate off the audit engagement every five years.

II. Appropriated Resources:

The board of trustees of each county college shall not permit the expenditures or projected expenditures of a college to exceed appropriated resources. Appropriated resources shall mean unrestricted revenues and unrestricted current fund balances appropriated to be expendable in a given budget period.

III. State Support:

(a) No later than June 1 of each year, each county college shall submit credit course descriptions to the Course Review Committee of the Council of County Colleges. Courses offered entirely or jointly through contracts with third-party providers shall be separately listed and identified. The county college shall certify in the transmittal to the Course Review Committee that all listed courses are eligible for State support under these Accounting Standards. The Course Review Committee shall review the course descriptions to verify that they meet the course credit hour criteria for state support (one credit hour per week of lecture and/or one credit hour for every two hours per week of formally scheduled laboratory or studio). Upon receipt of the report of the Course Review Committee, the Council of County Colleges shall transmit to the State Treasurer its recommendations with regard to credit courses that qualify for State support. The State Treasurer shall make the final decision regarding credit courses that qualify for State support. The county college shall have the burden of establishing that a credit course is eligible for State support under these Accounting Standards.

(b) In order to qualify for State support the county college must incur direct costs of instruction for the credit course and the direct costs must be classified as current unrestricted expenditures. Direct costs of instruction paid by another educational institution or by a third party provider shall not be counted in determining State support. Direct costs of instruction will be determined for each credit course. The direct costs of instruction are defined as:

1. Salaries and benefits of instructors and paraprofessionals paid for the teaching and grading of courses;
2. Educational supplies used directly by the teacher or the students of a course; and
3. Contracted educational service agreements for specific courses or programs.

(c) The number of state-fundable credits for a credit course should not exceed the number of credits that a student is charged for the course.

(d) When the direct costs of instruction are classified as expenditures of restricted funds (expenditures restricted to specific purposes by an outside revenue source), these costs are not eligible to be counted in determining State support.

(e) Where the total direct costs of instruction incurred by the college exceed the amount of the restricted funds available for the credit course, the percentage of the excess cost is considered as expended from the current unrestricted fund, and that percentage of the credit-hour enrollment generated by the course is eligible to be counted in determining State support.

(f) The direct costs of instruction incurred by the college for credit courses that are offered jointly with another educational agency (public or private) will not be eligible for funding unless control of the course is vested with the county college. "Control" means ultimate responsibility for development and implementation of curriculum (for example, course objectives,

outlines, strategies, and teaching methods); direct or contractual responsibility for evaluating and supervising the faculty including assignment and termination of assignment to courses; and responsibility of the faculty member to a supervisor employed by the college.

(g) Noncredit Courses. The amount of State support for the direct costs of instruction for noncredit occupational, remedial, general education and adult basic education courses shall be allocated to each county college.

1. Occupational courses are courses designed to develop occupational skills geared toward securing initial employment or upgrading occupational skills.
2. Remedial courses are courses in reading, writing, mathematic, and computer literacy skills designed to raise student competence in these skills to the college level.
3. General education development courses are courses designed to prepare students for New Jersey high school equivalency diplomas.
4. Adult basic education courses are courses designed to teach reading, writing, mathematic, and computer literacy skills to adults whose inability to speak, read, or write the English language constitutes a substantial impairment to obtaining or retaining employment commensurate with their ability.

(h) Grant Programs. Credit courses funded by grant programs shall only be counted in determining State support to the extent of the percentage that the actual direct costs of instruction incurred by the college exceeds the grant funding. In making this determination the auditor shall review the grant application and grant contract to determine whether the grant covers the entire direct costs of instruction.

IV. Calculation of Full-Time Equivalent Enrollments (FTEs)

(a) FTE enrollments shall be determined as of the tenth day of the academic session. FTE enrollments shall include only those students who have registered and made payment or a binding arrangement for payment to the college as of the tenth day of the academic session. The foregoing tuition receivable shall be recognized and recorded in accordance with generally accepted accounting principles (GAAP). Annual full-time equivalent student enrollments (FTEs) for all session students shall be calculated by dividing total annual credit-hour and equivalent credit-hour enrollments by 30.

(b) FTE enrollments from an academic term (for example, summer session) which is conducted over a fiscal year end, should be reported totally within the fiscal year in which the term is predominantly conducted.

(c) Fundable credit hours may include international students, out of state students, and senior citizens.

V. Enrollment Data:

(a) For credit courses, the tenth-day enrollment shall be used for calculating enrollments during the academic year. The tenth-day enrollment shall be considered the tenth day of classes, excluding weekends and holidays. For summer and other sessions, a prorated point in time shall be used, based upon the duration of the session. Enrollments shall include only those students who have registered and made payment or a binding arrangement for payment to the college as of the tenth day of the academic session.

VI. Audit Rules:

In preparing the audited schedule of credit-hour enrollments as required by this Accounting Standard, the audit firm must adhere to the following:

(a) The auditor shall review this Accounting Standard, all contracts with third party providers, and grant contracts to determine the State funding eligibility of credit courses.

(b) The college shall maintain a clearly defined audit trail to enable the auditor to certify credit-hour reported by the college.

(c) Student credit hours shall be reconciled to tuition income, including cash received, accounts receivable, and waivers.

(d) The auditor shall send a confirmation letter to a statistically valid sample of students who are listed as having attended courses during the year under audit. The methodology and results of this sample shall be appended to the year end audit report.

(e) The auditor shall follow the format for audited enrollment schedule provided by the Department of Treasury.

1. If the auditor plans to deviate from any of the audit procedures, he or she shall obtain prior written approval from the Department of Treasury.

2. Such approval, if granted, shall be valid only for the audit in process.

(f) Course outlines shall be made available to the auditors who shall submit sample course outlines along with the credit course category classification assigned to these courses by the college.

1. The auditor shall certify that course outlines are on file for all of the college's State fundable course offerings and that these courses have been classified and meet course eligibility criteria as defined in these Accounting Standards.

2. The Course Review Committee of the Council of County Colleges may request and review all official course outlines.

3. The county college shall have the burden of establishing that a course has been properly classified as a credit course.

4. Upon review of the recommendation of the Council of County Colleges, the decision to approve or reject the classification and eligibility of a credit course for State support rests with the Department of Treasury.

(g) Based upon examination of the college's audit trail including registration records, attendance records, and course descriptions, that the auditor shall in an opinion letter accompanying the schedule of credit hour course categories eligible for State support, certify that:

1. The audit trail is valid and adequate for certification of the schedule of credit-hour enrollments;

2. The schedule of credit-hour is accurate;

3. The eligible portions of grant and third party funded courses are calculated and reported accurately;

4. The review of the documentation underlying the calculation of credit hours is valid and adequate for the certification of the credit-hour enrollment schedule.

5. He or she has reviewed and has completed the enrollment audit in accordance with the provisions of these Accounting Standards.