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December 6, 2023

Vicki L. Hewitt, Ed.D.  
University Senate  
Rutgers, The State University of New Jersey  
335 George Street, Suite 1250  
New Brunswick, NJ 08901

Dear Dr. Hewitt,

I am writing in response to the University Senate's report on Charge S-2307: RCM Detailed Recommendations, which charged the Budget and Finance Committee to "investigate and propose detailed recommendations for implementing two central elements of the 1/20/2023 Senate-approved resolution on S2010-1: 'transparency' and 'shared governance' in University budget preparation and reporting."

As noted in my response to S-2010-1, my leadership team and I are committed to increasing clarity and transparency regarding university finances, and I believe we can continue to make progress in this regard.

Given the Senate report's allegations of "problematic expenditures" and "apparent cases of financial improprieties," I must begin this response by addressing these claims and emphasizing my commitment—and that of everyone in my leadership team—to maintaining the highest standards of financial, administrative, and business practices.

Using information that appears in the Senate committee's report (S-2307), staff members in University Finance and Administration (UFA) researched each cited concern and determined that there are no grounds for financial impropriety. While there were a small number of cases where we could confirm that there had been some prior deviation from standard processes and procedures (e.g., the accidental use of a university card for a physician copay), these deviations were flagged by the university's existing controls and previously addressed in a timely manner. The majority of the citations in the report that were characterized as financial impropriety appear to be the result of committee members' misunderstanding of the data or of the institutional policies, processes, and procedures that were in place at the time of the cited transactions. In the interest of transparency and disclosure, the UFA team's findings are appended to this response.


I hope this information, which explains how cited concerns were handled, and why they are not evidence of financial impropriety, allays the Senate committee's concerns. Since no evidence of financial impropriety has been identified, and our current controls provide the internal checks and balances, we do not believe that an "independent forensic analysis," one of the Senate's recommendations, is warranted or justified at this time or as a practice.

I understand the Senate's concerns about guarding against abuse and waste, and I share your commitment to preventing such issues and addressing them if they occur. I want to assure the Senate committee that Rutgers has a network of systems and controls in place at the university level, as well as at Chancellor and in some cases school or department levels, to ensure that financial transactions, including more than 200,000 purchase orders and nearly 500,000 invoices annually, adhere to applicable law and university and unit policies, procedures, and guidelines.

Regarding the Senate committee's recommendation of "refresher training," we are continuously working to improve policy, procedure, trainings, and technology to strengthen knowledge and enforce adherence and compliance. Recent enhancements include the update to University Procurement and Payment Policy 20.1.11 and an update to University Procurement Services Procedures Manual. It is my understanding that UFA is nearing the end of a recruitment process for a new Chief Procurement Officer. J. Michael Gower, Executive Vice President and Chief Financial Officer and University Treasurer, will share the Senate committee's report with that individual, once hired, and ask them to work with the team in University Procurement Services to identify opportunities to further clarify or otherwise enhance existing guidance. It also may be relevant to share that University Ethics & Compliance will begin annual ethics training for all University faculty and staff. This training will focus on the requirements of the Rutgers Code of Ethics and the New Jersey Conflicts of Interest law.

We will continue to work on improving communication and trust between the Senate and the university leadership regarding budget priorities and allocations in accordance with University Policy 50.2.2. This policy states that the Senate provides advice "on matters of broad educational and research policy, including but not limited to: (a) budget priorities and allocations." As cited in our response to S-2010-1 regarding how we share budget information, I established the annual Budget Address to the Senate to provide additional information to this body. To complement the address, I have asked Mr. Gower and Prabhas Moghe, Executive Vice President for Academic Affairs, to review the possibility of adding presentations with the Senate Budget and Finance Committee to the calendar. To begin, they propose introducing two additional meetings—one to address the budget process, including the RCM tool, in the Spring semester, and another in the Fall semester to provide a briefing on the university budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan Holloway". The signature is fluid and cursive, with the first name "Jonathan" written in a larger, more prominent script than the last name "Holloway".

Jonathan Holloway

c: J. Michael Gower, Executive Vice President-Chief Financial Officer  
Prabhas Moghe, Executive Vice President for Academic Affairs

Senate Report Description	Administrative Response
<b>PR#1: "Statement of work reported not to exist in response to OPRA request and follow up meeting"</b>	This appears to be the result of some confusion. The Statement of Work does exist in university records, but without additional context, it is not possible to provide more explanation as to why this document was earlier "reported not to exist."
<b>PR#2: "Waiver of bid approved with unclear justification"</b>	This expenditure was part of a relocation package that was provided to an employee and falls within the employment contract of that individual. Although hotel stays generally are not bid out, the hotel in question requires a PO in order to hold a room. For this reason, it was necessary to prepare PO 1255137 and a related "waiver of bid justification."
<b>PR#3: "Tax exempt declaration for alcohol at Division event"</b>	Vendors are responsible for ensuring compliance with applicable tax statutes and paying applicable taxes. The purpose of the University's tax-exempt letter is to ensure vendors are aware of the University's tax exempt status. It is not the University's responsibility as a purchaser to collect or remit sales tax. The concessionaire/retail business that provided or served the alcohol in these cases was charged a sales tax; the University is not required to pay sales tax.
<b>PR#4: "Tax free alcohol at Executive tailgate party"</b>	
<b>PR#5: "Tax free alcohol at Executive reception"</b>	
<b>PR#6: "PCard personal medical expense by Senior Executive in Finance"</b>	This was an error made by the card holder who used the incorrect card to pay for this expense on 9/22/20. Reimbursement from the card holder's personal account was made to the University in October 2020 and deposited to the University's account on 11/2/20.
<b>PR#7: "PCard personal expenses by Senior Executive in Finance"</b>	The referenced charges were legitimate business expenses and not personal expenses. At the time of these purchases, during purchasing card (PCard) rollout, Amazon was not available as a punchout catalog in RU Marketplace, so Amazon transactions were made through multiple authorized channels, including PCards.
<b>PR#8: "PCard travel expenses through unauthorized vendor by Senior Executive in Procurement"</b>	At the time of these purchases, Gateway Travel was still a University-authorized travel agency in limited use, mostly for individuals using travel credits incurred during the pandemic. The University has since adopted a new travel system and transitioned away from this agency , which is why Gateway Travel no longer appears to be an "authorized vendor."

<p><b>PR#9: "PCard expenses far over limit and available through Marketplace by Procurement"</b></p>	<p>As noted in the University's PCard Guidelines, the default limit for University Pcards is \$10,000 per month, however, Pcards with limits outside of the default range are issued in cases where appropriate business justifications require it. Per the Guidelines, the monthly, and/or single transaction limits can be adjusted temporarily with proper approvals in some circumstances and for legitimate business reasons. Single Pcard transactions over \$10K are always subject to additional review by Procurement Services.</p>
<p><b>PR#10: "PCard expense substantially over limit by Procurement"</b></p>	<p>See answer to PR#9</p>
<p><b>PR#11: "PCard personal expense and available through Marketplace by Compliance"</b></p>	<p>The referenced charges were legitimate business expenses, and not personal expenses. At the time of these purchases, use of the Amazon punch-out was not mandated so, Amazon transactions were still being made through multiple authorized channels, including Pcards.</p>
<p><b>PR#12: "PCard personal expenses by Athletics"</b></p>	<p>The referenced charges were legitimate business expenses, and not personal expenses. Items included supplies for student athletes' uniforms and recruiting events for prospective student athletes.</p>
<p><b>PR#13: "Contract financial limits disregarded"</b></p>	<p>The IT Professional Service Provider Agreement (PSPA) provided relates to the original installations services to be performed by Infosilem Inc under PO 698873. The "associated invoices" relate to separate but required software subscription services and are therefore not counted toward the amount in the PSPA for the original installation.</p>
<p><b>PR#14: "Waiver of bid for golf simulator in football players' lounge"</b></p>	<p>Multiple firms were considered during the planning for this donor-funded project. Two finalists emerged during the research and planning phase and the quote for the firm that was ultimately selected was significantly lower than others and that firm was able to complete the work in the specific dimensions of the space within the requested timeline. It is for this reason that a "waiver of bid request" was submitted.</p>
<p><b>PR#15: "Competitive analysis is disregarded in unclear waiver of bid"</b></p>	<p>Four firms participated in an RFP conducted in July 2020 and two were subsequently selected as the preferred providers. When funds for one of the selected vendors were exhausted, the department evaluated performance of these vendor and ultimately, a decision was made to include a third partner, selected from the original list of vendors that were considered during the RFP process, that could more reliably serve the department's needs. All transactions were paid for from Foundation funds and the process of adding an additional vendor went through the standard, required analysis by Procurement, which includes a comparison to the services provided by the original two vendors alongside other types of review.</p>

<p><b>PR#16a: "\$5M transferred out of financial system into a Zelle account without OPRA-accessible accounting or chain of responsibility."</b></p>	<p>These funds for HEERF (Higher Education Emergency Relief Fund) required direct payment to qualifying students by the three Federal COVID appropriations (CARES, CRRSA, and ARP). Zelle was the most efficient and effective option for getting funds quickly and securely to the students who needed the money. The \$5 million transfer noted was how funds were moved from the grant to the bank in order to transmit to funds to students using Zelle.</p>
<p><b>PR#16b: "\$5.4M transferred out of financial system into debit cards without OPRA-accessible accounting"</b></p>	<p>The described "debit card expenses" relate to how the university provides appropriate per-diem allowance for students participating in intercollegiate athletics. This practice eliminates the need for coaches to carry large amounts of cash to meet this requirement. Rutgers students use these cards to cover allowable per-diems during away competitions and in some cases for summer room and board, per aid agreements.</p>
<p><b>PR#17: "Services obtained by Senior Compliance Executive against policy. Purchasing objections overlooked."</b></p>	<p>This payment was not "processed without requested paperwork." The initial requisition was withdrawn per the guidance of "Purchasing officer 1" in accordance with Procurement processes. Per Procurement process, "Purchasing officer 2" asked about the need for additional detail on a separate requisition. In this case, there was not a detailed set of deliverables because the engagement related to confidential and privileged matters that are not accessible to the general public. All documents for this matter reside in the Office of General Counsel. However, the department complied with Procurement processes and requisite paperwork was received prior to payment.</p>
<p><b>PR#18: "Excerpt from NJ Administrative Code on alcohol taxation"</b></p>	<p>This code applies to suppliers and is not applicable.</p>
<p><b>PR#19: "Unspecified Visa, Mastercard, Discover and American Express card payments"</b></p>	<p>These are revenue payments to the Department of Athletics for ticket sales.</p>
<p><b>PR#20: "Excerpt from auditor's agreement"</b></p>	<p>N/A</p>
<p><b>PR#21: "Improperly accounted bowling expenses"</b></p>	<p>All expenses are scrutinized by the unit incurring the expenses to ensure proper coding. In these cited cases, all expenses are coded correctly.</p>

**PR#22: Personal expenses (Meal with alcohol, Home Depot purchases) by Senior Executives, from Finance, Audit, Ethics and Athletics in violation of Rutgers Policy 40.4.1. Expenses also improperly charged to Travel.**

The referenced charges were legitimate business expenses, and not personal expenses, and they were appropriately coded. As the policy states, "Business meals while not in travel status with other Rutgers colleagues in local restaurants are generally not reimbursable," however a meal associated with a leadership retreat is considered a "business meal" (a meal with a clearly substantiated business purpose that is directly associated with university business).