The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable John O. Bennett  
President of the Senate

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of the Treasury, Higher Education Services for the period July 1, 2001 to June 30, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

September 22, 2003
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Department of the Treasury
Higher Education Services

Scope

We have completed an audit of the Department of the Treasury, Higher Education Services for the period July 1, 2001 to June 30, 2003. Our audit included expenditures accounted for in the state’s General Fund and Property Tax Relief Fund. The prime responsibility of Higher Education Services is to provide support to independent colleges and universities, aid to county colleges, and miscellaneous higher education grants and capital programs. Annual expenditures for Higher Education Services were approximately $265 million.

Objectives

The objectives of our audit were to determine whether expenditure transactions were related to Higher Education Services, were reasonable, and were recorded properly in the accounting systems.

The audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of expenditure transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.
A nonstatistical sampling approach was used. Our samples of expenditure transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were judgmentally selected for testing.

**Conclusions**

We found the expenditure transactions included in our testing were related to Higher Education Services, were reasonable, and were recorded properly in the accounting systems.