EXECUTIVE SUMMARY

OFFICE OF THE SECRETARY OF HIGHER EDUCATION

We found that the financial transactions included in our testing were related to the Office of the Secretary of Higher Education’s programs, were reasonable, and were recorded properly in the accounting system. In making this determination, we noted certain internal control weaknesses and matters of compliance meriting management’s attention. The Office of the Secretary of Higher Education (OSHE) needs to strengthen its administration of the grant programs through increased monitoring of the information reported by the colleges. In addition to enhanced reviews of the documentation supporting spending of grant funds by the colleges, the OSHE should provide better guidelines regarding allowable costs and ensure applicable program boards are in compliance with the New Jersey Administrative Code. We also found that the OSHE held federal scholarship funds that should have been disbursed to low-income students.

AUDIT HIGHLIGHTS

- Our audit found monitoring of the grants by the OSHE is limited to obtaining interim and final expenditure reports from the colleges. The reports submitted by the colleges are certified by their program director and its President or official designee. Our sample testing at six colleges found that the reports submitted by the colleges contained a variety of reporting errors including expenditures overstated, misclassified, miscalculated, or without adequate supporting documentation.

- The Office of the Secretary of Higher Education did not review the grant expenditures associated with the reports submitted to ensure the funds were spent effectively, in compliance with state policies, and were related to the objectives of the program. In addition, there is a lack of detailed guidance on allowable costs, resulting in questionable expenditures.

- The Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is a federally funded program that has several components, one of which is scholarships for students attending two-year and four-year colleges in New Jersey. Scholarship funds were placed in trust in a NJBEST account managed by an investment firm. As of March 31, 2013 approximately $1,152,200 remains in the fund earmarked for students that are no longer receiving scholarships because of withdrawal or transferring out of state. The OSHE stated the $1.15 million and any future excess funds will be returned to the federal government when the last eligible scholarship recipient completes their degree. According to the United States Department of Education, the funds should not be returned to the federal government, but should be awarded to additional students or other low-income students.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report, click here.