EXECUTIVE SUMMARY

HIGHER EDUCATION STUDENT ASSISTANCE AUTHORITY

We found the financial transactions included in our testing were in compliance with enabling legislation, were reasonable, and were recorded properly in the accounting systems. We also found the HESAA was meeting its administrative responsibilities for the grant, scholarship, and loan programs. In making these determinations, we noted certain internal control and compliance weaknesses meriting management’s attention concerning the re-employment of retirees, the NJCLASS Program, the Law Enforcement Officer Memorial Scholarships Program, and the NJBEST.

We further determined select general controls over the HESAA’s information systems were adequate, however, we noted weaknesses in the areas of system access controls and risk assessment/security plan that merit management’s attention.

We also made an observation concerning contracted temporary employees.

AUDIT HIGHLIGHTS

- Select contracts with employment agencies contained “pass-through” agreements, through which the HESAA recommends individuals to be hired by the employment agencies and assigned to the HESAA. Nine former employees have returned to the HESAA through these agreements, including six former employees currently collecting a state pension. Although on the employment agencies’ payrolls and charged under the contracts, the HESAA maintains complete control over the rate of pay, locations, assignments, and supervision of these employees. In addition, these individuals are performing job duties similar to their previous HESAA employment. The circumstances surrounding the current retirees working under these contracts appear to be a circumvention of post-retirement rules and there is sufficient evidence to refer the matter to the Division of Pensions and Benefits for further review.

- The NJCLASS program makes loans available for the benefit of students who have additional financial need beyond a federally insured student loan and who meet the established eligibility criteria. Our audit of this loan program disclosed internal control and/or compliance deficiencies in the areas of maximum loan amounts, reporting and tracking of loan fraud, loan forgiveness, and Internal Revenue Service reporting.

- We reviewed the general controls for three systems (NJGRANTS, NJCLASS, and NJLOANS) that contain student application and institutional data for grants, scholarships, and loans. Our review found that HESAA does not have formal policies and procedures for granting and removing user access to the three systems. Our review of individuals with access to at least one of the HESAA systems noted a number of Logon IDs that should be reviewed for removal and passwords that were not updated.

AUDITEE RESPONSE

The department generally concurs with our findings and recommendations.

For the complete audit report, click here.