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Office of Legislative Services
Office of the State Auditor**

New Jersey Educational Facilities Authority

January 1, 2013 to April 30, 2015

**Stephen M. Eells
State Auditor**



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The Honorable Vincent Prieto
Speaker of the General Assembly

Mr. David J. Rosen
Executive Director
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Enclosed is our report on the audit of the New Jersey Educational Facilities Authority for the period of January 1, 2013 to April 30, 2015. If you would like a personal briefing, please call me at (609) 847-3470.

Stephen M. Eells
State Auditor
September 28, 2015

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Scope

We have completed an audit of the New Jersey Educational Facilities Authority (NJEFA) for the period January 1, 2013 to April 30, 2015. Our audit included a review of stand-alone and state-backed bond financings as administered by the NJEFA. Stand-alone bond financings are issued on behalf of New Jersey institutions of higher education, while state-backed bond financings are issued on behalf of the state. State-backed funds are granted to the institutions based on an application process. Activities related to these bond financings performed at the New Jersey institutions of higher education were excluded from our review.

The NJEFA is a public fiduciary whose role is to obtain low-cost financing for New Jersey institutions of higher education for the development of their educational facilities. During our audit period, ten stand-alone and four state-backed bond financings occurred with par amounts totaling \$1.15 billion. Funds for authorized projects are held by a trustee until requisitioned by the institutions and authorized for release by the NJEFA. From January 1, 2013 through April 30, 2015, the NJEFA released \$232.1 million in funds for stand-alone financings and \$135.7 million in funds for state-backed financings.

The NJEFA is a self-supporting state entity whose operating revenue is derived from administrative fees. For calendar years 2013 and 2014, operating revenues totaled \$3.2 million and \$3.6 million, respectively, and operating expenses totaled \$2.2 million annually.

Objectives

The objectives of our audit were to determine whether the NJEFA has adequate controls in place to ensure stand-alone and state-backed bond financings were issued in accordance with applicable regulations. An additional objective was to determine if administrative fees were proper.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, 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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, and policies of the NJEFA. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing. We also interviewed NJEFA personnel and personnel at selected institutions to obtain an understanding

of the bond financing process and the internal controls.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were randomly selected for testing. Institutions visited were judgmentally selected.

Conclusions

We found adequate controls were in place at the New Jersey Educational Facilities Authority to ensure that stand-alone and state-backed bond financings were issued in accordance with applicable regulations. In addition, we found the administrative fees to be proper.



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September 23, 2015

Stephen M. Eells
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Dear Mr. Eells:

The Authority is in receipt of the enclosed confidential draft audit report of the Office of the State Auditor.

We are pleased that the State Auditors concluded that the Authority had adequate controls in place to ensure that stand-alone and State-backed bond financings on behalf of New Jersey's colleges and universities were completed in accordance with applicable regulations. We are equally pleased that our administrative fees were found to be proper.

Although the conduct of the audit took approximately seven months of field work and the scope was extensive, the Authority benefitted from the external review of its policies and procedures. We also appreciated the professionalism of the representatives of the Office of the State Auditor in the discharge of their responsibilities.

Sincerely,

Sheryl A. Stitt
Acting Executive Director

Enclosure

- c: John J. Termyna, Assistant State Auditor, Office of the State Auditor
Roger B. Jacobs, Esq., Chairman, New Jersey Educational Facilities Authority
Rochelle R. Hendricks, Secretary of Higher Education, Office of the Secretary of Higher Education
Robert Romano, Acting Treasurer, State of New Jersey
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