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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

September 19, 2002

Mr. Richard P. Mills  
Commissioner  
State Education Department  
Education Building  
Albany, New York 12234

Mr. Peter J. Keitel  
President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, New York 12255

Re: Nyack College  
Report 2002-T-1

Dear Mr. Mills and Mr. Keitel:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, Article II, Section 8 of the State Finance Law, and a Memorandum of Agreement dated December 1, 1989, involving the State Comptroller, the Commissioner of Education, the President of the Higher Education Services Corporation (HESC), and the Director of the Budget, we audited the records and procedures used in administering the Tuition Assistance Program (TAP) at Nyack College (Nyack) for the 1998-99 through 2000-01 academic years.

**Summary Conclusions**

In accordance with Section 665(3)(b) of the New York State Education Law (Law), we determined that Nyack was overpaid \$179,174, because school officials incorrectly certified students as eligible for TAP awards. We tested the accuracy of the 3,200 TAP certifications Nyack awarded for the three-year period that ended on June 30, 2001, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed 12 awards totaling \$20,345. A statistical projection of these audit disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$177,225. We also disallowed five awards totaling \$7,332, based on our review of other awards from outside the statistical sample period. Nyack officials decertified three awards totaling \$5,383. Therefore, we recommend that HESC recover a total of \$179,174, plus applicable interest, from Nyack.

## **Background**

Nyack College (Nyack), a four-year independent degree-granting college of the Christian and Missionary Alliance, is located in Rockland County, New York. Nyack has an extension center in Manhattan, New York City. Forty-eight of the 60 programs offered by Nyack, including 3 associate degree programs, 44 bachelor degree programs, and 1 master's degree program, are approved by the State Education Department (SED) for TAP eligibility.

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide tuition aid to eligible full-time students who are enrolled in a variety of eligible programs.

We provided draft copies of this report to SED, HESC, and Nyack officials for their review and comments. We have considered their comments in preparing this audit report.

## **Audit Scope, Objective, and Methodology**

The objective of our financial and compliance audit was to determine whether Nyack's management complied with the Law and the Commissioner of Education's Rules and Regulations (Regulations) for certifying students as eligible for TAP awards. The scope of our audit did not include reviews of the process HESC follows in determining the amount of such awards.

According to HESC records, Nyack officials certified 3,200 TAP awards totaling \$5,047,705 paid on behalf of 1,354 students during the three academic years that ended on June 30, 2001. We reviewed a statistical sample of 200 TAP awards totaling \$302,339 made to 184 students during that period. We also reviewed other awards that came to our attention during the audit.

We conducted our audit according to generally accepted government auditing standards. Such standards require us to plan and perform our audit to adequately assess those operations of Nyack that are included within our audit scope. These standards also require that we review and report on Nyack's internal control system and its compliance with those laws, rules and regulations that are relevant to Nyack's operations and are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit of Nyack, we reviewed management's internal control system. Our audit was limited to a preliminary review of this system to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems that would support claims for student financial aid.

Nyack's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Nyack's compliance with certain provisions of the Law and Regulations. Our objective in performing these tests was to obtain reasonable assurance

that the students who received TAP awards were eligible for them. Our objective was not to provide an opinion on Nyack’s overall compliance with such provisions.

Our audit showed that, for the transactions and records tested, Nyack was generally in compliance with these provisions, except as noted in the subsequent sections of this report.

**Audit Disallowances**

The following table summarizes the disallowances that resulted from our audit:

<b><u>Reason for Disallowance</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>	<b><u>Total</u></b>
<b>Disallowances from the Statistical Sample:</b>			
Students Not in Good Academic Standing	8	\$13,722	
Students Not in Full-Time Attendance	2	3,349	
Student Not Matriculated	1	1,505	
TAP Not Posted to a Student’s Account	1	1,712	
Student Awarded Excess TAP Payments	<u>1</u>	<u>1,562</u>	
Total Disallowances from the Statistical Sample	13	21,850	
Less: Disallowance for More Than One Reason	<u>1</u>	<u>1,505</u>	
Net Disallowances from the Statistical Sample	<u>12</u>	<u>\$20,345</u>	
Projected Amount			\$177,225
<b>Disallowances from Outside the Statistical Sample Period:</b>			
Students Not in Good Academic Standing	<u>5</u>	<u>7,332</u>	
Total Disallowances from Outside the Sample	<u>5</u>	<u>\$7,332</u>	<u>7,332</u>
Total Audit Disallowance			184,557
Less: Decertified Awards	<u>3</u>		<u>5,383</u>
<b>Net Audit Disallowance</b>			<b><u>\$179,174</u></b>

Details of the students’ names and related information were provided separately to Nyack officials. The reasons for the disallowances are discussed on the following pages.

**Students Not in Good Academic Standing**

*Criteria* – Section 665 of the Law requires that students be in good academic standing to be eligible for TAP awards. To maintain good academic standing, a student is required by Section 145-2.2 of the Regulations to maintain satisfactory academic progress toward completion of a program and to

pursue the program of study in which he or she is enrolled. To maintain satisfactory academic progress, a student must accrue a certain minimum number of credits and earn a specified minimum cumulative grade point average, as required on the chart of satisfactory academic progress published by the college and approved by SED. A student is pursuing the approved program of study if, during each term of study for which an award is received, the student receives a passing or failing grade in a predetermined percentage of the minimum full-time course load required to qualify for the appropriate level of TAP payment.

A student who fails to maintain good academic standing loses TAP eligibility. Students can regain good academic standing by making up the deficiencies at their own expense, obtaining a TAP waiver, remaining out of school for at least one calendar year, or transferring to another institution.

SED's Memorandum to Chief Executive Officers (CEO) No. 81-12 states that the granting of a TAP waiver is intended to accommodate only extraordinary or unusual circumstances beyond the control of the otherwise serious and successful student who may have had only one "bad term." The college is to grant a waiver only when there is a reasonable expectation that the student will meet future TAP eligibility requirements. In addition, the college is required to maintain a complete record for each waiver granted including a written record of the findings and determinations of each case. HESC's Programs, Policies and Procedures Manual requires schools to report all waivers granted. HESC maintains a record of these waivers.

Nyack's TAP waiver policy authorizes the granting of the one-time waiver to a student who has experienced an extraordinary circumstance or event that accounts for his/her failure to maintain good academic standing. This policy describes events such as the death of an immediate family member, an extended period of sickness, or a financial reversal that forces a student to work more hours than were originally intended, as examples of extraordinary circumstances and events.

*Audit Determination* – We disallowed 13 awards (8 awards from our statistical sample period and 5 from outside the period) paid on behalf of 13 students who did not maintain good academic standing. Eight of the students had received awards after they failed to make satisfactory academic progress in accordance with the approved standard. They did not accrue the minimum number of credits and/or earn the specified minimum cumulative grade point average needed; therefore, they were not eligible to receive TAP awards in the specified terms. The remaining five students received awards after failing to be in pursuit of their approved program of study. They did not achieve passing or failing grades in the appropriate percentage of the minimum full-time course load required to qualify for TAP.

Nyack granted TAP waivers to 5 of the 13 students. However, when we reviewed the supporting documentation for each waiver, we found that none of the waivers had been granted in accordance with SED's requirements. Rather, they were granted because the students stated or implied that they "had poor study habits, got behind in their work, dropped courses they were failing, worked full-time, or commuted to school using public transportation." In addition, we found that two of the waivers had not been reported to HESC, as required.

The remaining eight students had not received waivers, did not make up the deficiencies at their own expense, or did not remain out of school for one year; therefore, they were not eligible to receive TAP awards for one calendar year.

Nyack officials decertified three of the disallowed awards after we brought the cases to their attention.

School Officials' Position – Nyack officials agree with these disallowances.

### **Students Not in Full-Time Attendance**

Criteria – Section 661 of the Law requires that students must be in full-time attendance to be eligible for their TAP awards. Section 145-2.1 of the Regulations states, in part, that full-time study for a semester-based program at a degree-granting school is defined as enrollment for at least 12 hours per semester for a semester of 15 weeks or its equivalent. CEO No. 86-17 requires that a student's minimum course load be creditable toward the degree in which he or she is enrolled.

Audit Determination – We disallowed two sample-term awards paid on behalf of two students who had not maintained full-time status. These students had received awards for terms during which they were not enrolled for the minimum 12 hours creditable toward the degree in which they were enrolled.

School Officials' Position – Nyack officials agree with these disallowances.

### **Student Not Matriculated**

Criteria – Section 661 of the Law requires that students be matriculated in an approved program to be eligible for financial aid. CEO No. 84-7 requires baccalaureate program students to declare a major by the beginning of their junior year to be considered matriculated for financial aid purposes.

Audit Determination – We disallowed one sample term award paid on behalf of one student who had not matriculated properly. The student had not declared a major by the beginning of his junior year.

School Officials' Position – Nyack officials agree with the disallowance.

### **TAP Not Posted to a Student's Account**

Criteria - Section 2205.3(e) of the Regulations requires that each student's account be credited within seven days after receipt of a TAP award.

Audit Determination – We disallowed one sample term award that had not been credited to a student's account within the specified time.

School Officials' Position – Nyack officials agree with this disallowance.

### **Student Awarded Excess TAP Payments**

Criteria - Section 667 of the Law states that a student enrolled in a two-year program is eligible for TAP awards for no more than three academic years.

Audit Determination – We disallowed one sample term award paid on behalf of a student who received excess TAP payments. This student was enrolled in a two-year program but received TAP awards for a fourth year, thus exceeding the three academic year limit stated in the Law.

School Officials' Position – Nyack officials agree with this disallowance.

### **Other Matter – Students Due Refunds**

Criteria - Section 2205.3(e)(1)(iii) of the Regulations requires that, within 45 days of the receipt of financial aid payment, institutions must refund to the student any amount received in excess of the funds owed the institution or, with the written consent of the student, apply such funds to subsequent terms.

Audit Determination – In our review of the 200 statistically-sampled awards, we found that credit balances for nine students' accounts had been outstanding for between 6 and 38 months. These students should be issued refunds where appropriate.

School Officials' Position – Nyack officials agree with this finding. They told us they have issued refunds to six of the students and will issue refunds to the remaining three students after their addresses are confirmed.

### **Recommendations to the Higher Education Services Corporation**

1. *Recover the \$179,174, plus applicable interest, from Nyack College for its incorrect TAP certifications.*
2. *Ensure that Nyack College officials post TAP awards to students' accounts in a timely manner, do not certify students for excess TAP payments, and promptly refund any amounts owed to students.*

### **Recommendation to the State Education Department**

*Ensure that Nyack College officials comply with the State Education Department requirements relating to good academic standing, full time attendance, and matriculation cited in this report.*

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Maureen Costello, and Brittany Hayes.

We wish to express our appreciation to the management and staff of Nyack College for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston  
Audit Director

cc: David E. Schroeder, Ed.D.  
Deirdre A. Taylor, Division of the Budget