

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 18, 2006

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

Mr. James C. Ross
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: St. Joseph's College
Report 2006-T-3

Dear Messrs. Mills and Ross:

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 St. Joseph's College (SJC) for the 2002-2003 through 2004-2005 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that SJC was overpaid \$33,597, because school officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 10,804 TAP certifications the college awarded for the three-year period that ended on June 30, 2005, by reviewing a sample of 150 randomly-selected awards, and evaluating the results using statistical methods. From our random sample, we disallowed seven awards totaling \$4,639. A projection of these audit disallowances to the entire population, using statistical sampling methods and a 95 percent single-sided confidence level, results in an audit disallowance of \$23,110. We also disallowed seven awards totaling \$10,487 based on our review of other awards from outside the random sample

period. These awards were not projected to the population. Therefore, we recommend that HESC recover a total of \$33,597, (\$23,110 and \$10,487), plus applicable interest, from SJC.

Background

SJC is a private, independent college founded in 1916. The college's main campus is in Brooklyn, New York; its larger branch campus is located in Patchogue, New York. SJC offers a number of certificate programs, as well as Bachelor's and Master's Degree programs in the liberal arts and sciences. The New York State Education Department (SED) has approved some of SJC's programs for State financial aid 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 HESC, SED and SJC 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 audit was to determine whether SJC's management complied with the Law and the Commissioner of Education's Rules and Regulations, Title 8, NYCRR, (Regulations) for certifying students as eligible for TAP awards. The scope of our audit did not include a review of the process HESC follows in determining the amount of such awards.

According to HESC records, SJC officials certified 10,804 TAP awards totaling \$11,732,875 that were paid on behalf of 3,759 students during the three academic years that ended on June 30, 2005. We reviewed a random sample of 150 TAP awards totaling \$160,436 that were made to 148 students during that period and evaluated the results using statistical sampling methodologies. 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 that we plan and perform our audit to adequately assess those operations of SJC that are included within our audit scope. Further, these standards also require that we review and report on SJC's internal control system and its compliance with those laws, rules, and regulations that are relevant to SJC'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 SJC, 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 college's accounting system and other systems that would support the claims for student financial aid.

SJC's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of SJC'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 SJC's overall compliance with such provisions. Our audit found that, for the transactions and records tested, SJC generally complied with these provisions, except as noted in the following sections of the report.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State, several of which are performed by the Division of State Services. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Audit Results

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

| <u>Reasons for Disallowances</u> | <u>Number of Awards</u> | <u>Amount</u> | <u>Total</u> |
|--|--------------------------------|----------------------|---------------------|
| Disallowances from the Random Sample: | | | |
| Students Not Meeting Matriculation Requirements | 2 | \$2,700 | |
| Students Not Meeting Full-Time Requirements | 3 | 922 | |
| Students Not in Good Academic Standing | <u>2</u> | <u>1,017</u> | |
| Total Disallowance from the Random Sample | <u>7</u> | <u>\$4,639</u> | |
| Projected Amount | | | <u>\$23,110</u> |
| Disallowances from Outside the Random Sample: | | | |
| Students Not Meeting Matriculation Requirements | 6 | \$10,275 | |
| Student Not Meeting Full-Time Requirements | <u>1</u> | <u>212</u> | |
| Total Disallowances from Outside the Sample Period | <u>7</u> | | <u>10,487</u> |
| Total Audit Disallowance | | | <u>\$33,597</u> |

The disallowances are discussed in the following paragraphs. Students' names and related information were provided separately to SJC officials.

Students Not Meeting Matriculation Requirements

Criteria - Section 661 of the Law requires that students be matriculated in an approved program to be eligible for financial aid. Section 145-2.4 of the Regulations states "A student shall be considered matriculated only if the courses pursued by the student are fully recognized at that time as contributing towards fulfillment by the student of the requirements for completion of the program." SED's Chief Executive Officers Memorandum No. 84-07 requires baccalaureate program students to declare a major by the beginning of their junior year in order to be considered matriculated for financial aid purposes. Students who later change their majors are still considered matriculated. SED and HESC have advised that students who declare their major within 30 days after the drop/add period of the first semester of their junior year will have met this requirement.

St. Joseph's catalog requires that a student who wishes to change his/her major or plan must obtain, on a form furnished by the Registrar, signatures of the chairpersons of Departments involved, and of the Dean. Change of major or plan should be effected before the period of programming for the following term.

Audit Determination - We disallowed eight awards (two awards from our random sample and six from outside the period) that had been paid on behalf of two students who were not properly matriculated. The files for these students did not contain evidence to show that they had declared a major by the beginning of their junior year or had officially changed their major.

School Officials' Position - School officials agree with these disallowances.

Students Not Meeting Full-Time Requirements

Criteria - Section 661(4)(b) of the Law requires, in relevant part, that students be in full-time attendance, as defined by the Commissioner of Education, 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 semester hours during a semester of not less than 15 weeks. SED's Memorandum to Chief Executive Officers No. 86-17 states that "basic to the payment of State student aid is the requirement that courses that make up a student's minimum course load be creditable toward the degree, diploma or certificate program in which the student is enrolled."

Audit Determination - We disallowed four awards (three awards from our random sample and one from outside the period) that had been paid on behalf of four students who did not meet the full-time requirement. These students were enrolled in certain courses that were not applicable to their designated program. Therefore, the students were each not enrolled for a minimum of 12 semester hours creditable toward their degrees.

School Officials' Position - School officials agree with these disallowances.

Students Not in Good Academic Standing

Criteria - Section 665(6) of the Law requires students to be in good academic standing to be eligible to receive TAP awards. To maintain such 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 school 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, he or she 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. However, good academic standing can be regained if the deficiencies are made up without additional State awards, a TAP waiver is obtained, or the student remains out of school for at least one calendar year or transfers to another institution.

Audit Determination - We disallowed two awards from our random sample that had been paid on behalf of two students who did not maintain good academic standing. One student did not earn passing or failing grades in enough courses applicable to his/her designated program to meet the pursuit of program requirements. The other student did not earn the cumulative grade point average required on the college's chart of satisfactory academic progress to maintain his/her TAP eligibility. Moreover, neither student had received waivers, made up the deficiencies at their own expense, or remained out of school for one calendar year.

School Officials' Position - School officials agree with these disallowances.

Recommendation to the Higher Education Services Corporation

Recover the \$33,597, plus applicable interest, from St. Joseph's College for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that St. Joseph's College officials comply with the State Education Department requirements relating to matriculation, full-time attendance, and good academic standing cited in this report.

Major contributors to this report were Karen Bogucki, Erica J. Zawrotniak, Rita Verma and Brian Snyder.

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

Very truly yours,

Kenrick Sifontes
Audit Manager

cc: S. Elizabeth Hill, St. Joseph's College
Lisa Ng, Division of the Budget