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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 22, 2010

Dr. David Steiner
Commissioner
State Education Department
State Education Building, Room 408
89 Washington Avenue
Albany, New York 12234

Ms. Elsa Magee
Acting President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: College of New Rochelle
Report 2009-T-4

Dear Dr. Steiner and Ms. Magee:

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 the College of New Rochelle (New Rochelle) for the 2005-06 through 2007-08 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that New Rochelle was overpaid \$62,341 because school officials incorrectly certified five students as eligible for TAP awards. We tested the accuracy of the 20,737 TAP certifications the college awarded for the three-year period that ended on June 30, 2008, by reviewing a sample of 150 randomly-selected awards, and evaluating the results using statistical methods. From our random sample, we disallowed four awards totaling \$4,057. 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 \$59,841. We also disallowed one award for \$2,500 based on our review of other awards from outside the sample period. This award was not projected to the population. Therefore, we recommend that HESC recover a total of \$62,341, plus applicable interest, from New Rochelle.

Background

New Rochelle is an independent four-year college located in Westchester County. In addition to its main campus in New Rochelle, the school has five other campuses in the Bronx, Manhattan, and Brooklyn. Founded in 1904, New Rochelle offers a variety of degree programs that have been approved by the State Education Department (SED) for tuition assistance eligibility. The school's current enrollment is about 5,000 students and its tuition is about \$13,000 per semester for its School of Arts and Sciences and School of Nursing. Its School of New Resources and Graduate School charge students per credit enrolled.

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.

A draft copy of this report was provided to HESC, SED and New Rochelle officials for their review and comment. We have considered their comments in preparing this audit report.

Audit Scope, Objective, and Methodology

The objective of our performance audit was to determine whether New Rochelle'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, New Rochelle officials certified 20,737 TAP awards totaling \$35,845,420 that were paid on behalf of 7,578 students during the three academic years that ended June 30, 2008. We reviewed a random sample of 150 TAP awards totaling \$251,144 that were made to 149 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.

In planning and performing our audit of New Rochelle, 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.

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

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient,

appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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. 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 accounting standards. In our opinion, these 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 Statistical Sample:			
Students Not in Full-Time Attendance	2	\$2,831	
Student Not in Good Academic Standing	1	869	
Student Not Matriculated	1	357	
Over-Certified Tuition	<u>1</u>	<u>78</u>	
Total Disallowance from the Statistical Sample	5	4,135	
Less: Disallowance for More Than One Reason	(1)	(78)	
Net Disallowance from the Statistical Period	<u>4</u>	<u>\$4,057</u>	
Projected Amount			\$59,841

Disallowance from Outside the Statistical Sample Period:

Student Not in Full-Time Attendance	1	\$2,500
Total Disallowance from Outside the Statistical Sample Period	1	<u>2,500</u>
Total Audit Disallowance		<u>\$62,341</u>

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

Students Not Meeting Full-Time Requirements

Criteria - Section 661 of the Law requires students to 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 at a degree-granting school is defined as enrollment for at least 12 semester hours for a semester of 15 weeks or its equivalent. 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 three awards (two awards from our statistical sample period and one from outside the period) paid on behalf of three students who did not meet the full-time requirement. Two students registered for less than a full-time course load. The third student enrolled in courses that were not creditable toward her degree.

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

Student Not in Good Academic Standing

Criteria - Section 665(6) of the Law requires that students be in good academic standing to qualify for 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 at least 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, 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 No. 81-12 states that the requirements for good academic standing may be waived for "exceptional or extraordinary cases."

Audit Determination - We disallowed one sample term award for a student who did not maintain good academic standing. The student lost good academic standing and obtained a TAP waiver; however, we found that the school did not have adequate documentation justifying the waiver.

School Officials' Position - School officials agree with this disallowance.

Student Not Matriculated

Criteria - Section 661 of the Law requires that students who received their first financial aid payment in the 1996-1997 academic year to the 2006-2007 academic year to have a certificate of graduation from a high school or the equivalent; or to have achieved a passing score, as determined

by the United States Secretary of Education, on a federally-approved examination. Students who received their first financial aid payment in the 2007-2008 academic year and thereafter must have a certificate of graduation from a United States high school or the equivalent; or must have achieved a passing score, on a federally-approved examination that has been identified by the Board of Regents as satisfying eligibility requirements and that is independently administer and evaluated by the Commissioner of Education.

Audit Determination - We disallowed one sample term award paid on behalf of a student who was not properly matriculated. School officials did not have evidence of high school graduation or the equivalent for this student.

School Officials' Position - School officials agree with this disallowance.

Over-Certified Tuition

Criteria - Section 665(3)(a) of the Law requires that participating institutions certify to HESC the actual amount of tuition liability incurred by each student receiving a TAP award.

Audit Determination - We partially disallowed one sample term award where the school reported a higher tuition amount to HESC than was actually charged to the student. Had the school reported the correct tuition liability, the student would have been entitled to a reduced TAP award.

School Officials' Position - School officials agree with this disallowance.

Other Matters Needing Attention

The following findings do not result in audit disallowances. They pertain to control issues that New Rochelle officials need to address:

Accuracy of Transcripts

Criteria - Section 52.2(e) of the Regulations requires colleges to "maintain for each student a permanent, complete, accurate, and up-to-date transcript of student achievement at the institution. This document will be the official cumulative record of the student's cumulative achievement."

Audit Determination - We found that the grade point average and/or the number of credits earned were recorded incorrectly on at least 11 transcripts that we reviewed for students in our audit sample.

School Officials' Position - New Rochelle officials stated that the transcript issues identified have been corrected.

Refunds to Students

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

Audit Determination - We identified six students for whom payments to the school on their behalf were greater than the school's charges for tuition, fees, etc. These students are due refunds. For example:

- One student is owed \$1,025 since May 2006.
- Another student is owed \$125 since October 2006.
- A third student is owed \$795 since May 2007.

School Officials' Position - New Rochelle officials stated that refund checks had been issued, but were subsequently voided because the students did not pick them up. New Rochelle officials stated that they have since reissued the checks.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$62,341, plus applicable interest, from the College of New Rochelle for its incorrect TAP certifications.*
2. *Ensure that College of New Rochelle officials comply with the Higher Education Services Corporation requirements relating to certifying accurate tuition amounts and processing refunds in a timely manner.*

Recommendation to the State Education Department

Ensure that College of New Rochelle officials comply with the State Education Department requirements relating to good academic standing, full-time attendance, matriculation, and accuracy of transcripts cited in this report.

Major contributors to this report were Cindi Frieder, Gene Brenenson, Ryan Wendolowski, Farhan Ahmad and Lillian Fernandes.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Dr. Stephen J. Sweeny, College of New Rochelle
Judith Huntington, College of New Rochelle
Tom Lukacs, Division of the Budget