

THOMAS P. DiNAPOLI
STATE COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 31, 2009

Dr. David M. Steiner
Commissioner
State Education Department
State Education Building
Albany, New York 12234

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

Re: St. John's University
Report 2009-T-1

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 St. John's University (St. John's) 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 St. John's was overpaid \$134,031, because school officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 35,932 TAP certifications the college awarded for the three-year period that ended on June 30, 2008, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed four awards totaling \$6,911. 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 \$124,302. We also disallowed 12 awards totaling \$10,106 based on our review of other awards from outside the statistical sample period. These awards were not projected to the population. St. John's officials subsequently decertified one award for \$377. Therefore, we recommend that HESC recover a total of \$134,031, plus applicable interest, from St. John's.

Background

St. John's University is a private, coeducational Catholic university with five campuses: Queens, Staten Island, Manhattan and Oakdale, New York and Rome, Italy. The St. John's main campus is located in Jamaica, Queens. Founded in 1870, St. John's offers a variety of degree programs that have been approved by the State Education Department (SED) for tuition assistance eligibility. St. John's current enrollment is about 20,000 students and its annual tuition ranges from about \$29,000 to \$42,200.

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 a draft copy of this report to HESC, SED and St. John's 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 audit was to determine whether St. John'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 a review of the process HESC follows in determining the amount of such awards.

According to HESC records, St. John's officials certified 35,932 TAP awards totaling \$55,517,125 that were paid on behalf of 11,145 students during the three academic years that ended on June 30, 2008. We reviewed a statistical sample of 200 TAP awards totaling \$303,417 that were made to 199 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 that we plan and perform our audit to adequately assess those operations of St. John's that are included within our audit scope. Further, these standards also require that we review and report on St. John's internal control system and its compliance with those laws, rules, and regulations that are relevant to St. John'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 St. John's, 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.

St. John's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of St. John'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 St. John's overall compliance with such provisions. Our audit found that, for the transactions and records tested, St. John's generally complied with these provisions, except as noted in the following sections of this 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. 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	3	\$4,411	
Students Not in Good Academic Standing	<u>2</u>	<u>4,101</u>	
Total Disallowance from the Statistical Sample	5	8,512	
Less: Disallowance for More Than One Reason	<u>(1)</u>	<u>(1,601)</u>	
Net Disallowance from the Statistical Period	<u>4</u>	<u>\$6,911</u>	
Projected Amount			124,302
Disallowances from Outside the Statistical Sample Period:			
Students Not in Full-Time Attendance	6	\$7,640	
Students Not in Good Academic Standing	4	2,468	
TAP Awards Not Credited to Students' Accounts	<u>4</u>	<u>625</u>	
Disallowance from Outside the Statistical Sample Period	14	10,733	
Less: Disallowances for More Than One Reason	<u>(2)</u>	<u>(627)</u>	
Total Disallowance from Outside the Statistical Sample Period	<u>12</u>		<u>10,106</u>
Total Audit Disallowance			134,408
Less: Decertified Award			<u>(377)</u>
Net Audit Disallowance			<u>\$134,031</u>

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

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires students to be in full-time attendance to be eligible for State financial aid. 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 not less than 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 nine awards (three from our statistical sample period and six from outside the period) paid on behalf of six students who did not meet the full-time requirement. These six students, while enrolled for the full-time number of credits, did not enroll for at least 12 credits that were applicable to their designated program.

School Officials' Position - St. John's officials agree with these disallowances.

Students 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.

Audit Determination - We disallowed six awards (two from our statistical sample period and four from outside the period) that had been paid on behalf of five students who did not maintain good academic standing. Three students did not earn passing or failing grades in enough courses, applicable to their designated programs, to meet the pursuit of program requirements. The fourth student did not maintain the required cumulative grade point average during two terms. During one term, this student also did not meet the pursuit of program requirements. The fifth student did not maintain satisfactory academic progress and also did not comply with the pursuit of program requirements during one semester.

School Officials' Position - St. John's officials agree with these disallowances.

In July 2009, the school decertified one of the disallowed awards. In determining the total audit disallowance, we have subtracted this award.

TAP Awards Not Credited to Students' Accounts

Criteria - Section 2205.3(e)(1)(iii) of the Regulations requires that each student's account be credited within seven days after the receipt of a TAP award or within seven days from the date the applicant incurred a full tuition liability for the semester, whichever is later.

Audit Determination - We disallowed four awards from outside the sample period that had not been fully credited to the accounts of three students. Since St. John's did not distribute the funds properly so that the students could benefit from them, we are disallowing the undistributed portions of these awards.

School Officials' Position - St. John's officials agree with these disallowances.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$134,031, plus applicable interest, from St. John's University for its incorrect TAP certifications.*
2. *Ensure that St. John's officials comply with the Higher Education Services Corporation requirements relating to the crediting of TAP awards.*

Recommendation to the State Education Department

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

Major contributors to this report were Cindi Frieder, Gene Brenenson, Diane Gustard, Dana Bitterman, Legendre Ambrose, and Farhan Ahmad.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Rev. Donald J. Harrington, St. John's University
Jorge Rodriguez, St. John's University
Tom Lukacs, Division of the Budget