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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 11, 2008

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

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

Re: Molloy College
Report 2007-T-4

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 Molloy College (Molloy) for the 2003-04 through 2005-06 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that Molloy was overpaid \$462,952, because school officials incorrectly certified 28 students as eligible for 48 TAP awards. We tested the accuracy of the 5,824 TAP certifications the college awarded for the three-year period that ended on June 30, 2006, by reviewing a sample of 200 randomly-selected awards, and evaluating the results using statistical methods. From our random sample, we disallowed 17 awards totaling \$25,818. 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 \$434,363. We also disallowed 31 awards totaling \$32,268 based on our review of other awards from outside the sample period. These awards were not projected to the population. Molloy officials subsequently distributed and/or credited \$3,679 to three students for six TAP awards that the school had not

credited to the students' accounts. Therefore, we recommend that HESC recover a total of \$462,952, plus applicable interest, from Molloy.

Background

Molloy is an independent four-year institution located in Rockville Centre, Long Island. Founded in 1955, Molloy offers a variety of degree programs that have been approved by the State Education Department (SED) for tuition assistance eligibility. Molloy's current enrollment is about 3,800 students and its annual tuition is about \$17,500.

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 Molloy 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 Molloy'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, Molloy officials certified 5,824 TAP awards totaling \$7,642,845 that were paid on behalf of 2,101 students during the three academic years that ended on June 30, 2006. We reviewed a random sample of 200 TAP awards totaling \$258,797 that were made to 191 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 Molloy that are included within our audit scope. Further, these standards also require that we review and report on Molloy's internal control system and its compliance with those laws, rules, and regulations that are relevant to Molloy'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 Molloy, 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.

Molloy's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Molloy'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 Molloy's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Molloy 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>Reason for Disallowance</u>	<u>Number of Awards</u>	<u>Amount</u>	<u>Total</u>
Disallowances from the Statistical Sample:			
Students Not in Full-Time Attendance	10	\$14,517	
Students Not in Good Academic Standing	9	14,897	
TAP Awards Not Credited to Students' Accounts	2	3,262	
Students Not Matriculated	2	1,713	
Overcertified Tuition	<u>1</u>	<u>1,250</u>	
Total Disallowance from the Sample Period	24	35,639	
Less: Disallowances for More than One Reason	<u>7</u>	<u>9,821</u>	
Net Disallowance from the Sample Period	<u>17</u>	<u>\$25,818</u>	
Projected Amount			\$434,363

Disallowances from outside the Statistical Sample Period:

Students Not in Full-Time Attendance	19	\$22,967	
Students Not in Good Academic Standing	10	6,916	
TAP Awards Not Credited to Students' Accounts	6	1,691	
Students Not Matriculated	3	2,444	
Students Awarded Excess TAP Payments	<u>3</u>	<u>4,912</u>	
Disallowance from Outside the Sample Period	41	38,930	
Less: Disallowances for More than One Reason	<u>10</u>	<u>6,662</u>	
Total Disallowance from Outside the Sample Period	<u>31</u>		<u>32,268</u>
Total Audit Disallowance			466,631
Less: Distributed Awards			<u>3,679</u>
Net Audit Disallowance			<u>\$462,952</u>

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

Students Not Meeting Full-Time Requirements

Criteria - Section 661 of the Law requires that students be in full-time attendance to be eligible for 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 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 29 awards (10 from our statistical sample period and 19 from outside the period) paid on behalf of 20 students who did not meet the full-time requirement. Three students registered for less than a full-time course load. Seventeen 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. We also disallowed another award for one of these students, who had transferred from another postsecondary institution and did not meet the full-time requirement because his 12-credit course load at Molloy included a course that he had already taken and passed at his prior school.

School Officials' Position - School officials agree with the disallowances for the three students who registered for less than 12 credits. They explain that the transfer student's prior coursework had not been evaluated at the time of registration. Regarding the remaining disallowances, school officials state that it is often in the best interest of the student to enroll in classes in addition to those required for a student's program of study as they can enhance employment opportunities and improve knowledge in a discipline, are beneficial for advanced study, or can promote academic success. They add that some students take courses in anticipation of a change in major but do not turn in required paperwork timely.

Auditors' Comments - Students must be enrolled in at least 12 credits applicable to their program of

study to participate in the TAP program. The students above did not comply with that requirement.

Students Not in Good Academic Standing

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

Audit Determination - We disallowed 19 awards (9 from our statistical sample period and 10 from outside the period) that had been paid on behalf of 13 students who did not maintain good academic standing. Nine students did not earn passing or failing grades in enough courses, applicable to their designated programs, to meet the pursuit of program requirements. Three students had not earned the cumulative grade point average required on Molloy's chart of satisfactory academic progress to maintain their TAP eligibility. One of these students also did not accrue the minimum number of credits. The remaining student failed both the pursuit of program and satisfactory academic progress requirements.

School Officials' Position - School officials agree with the disallowances for the four students who did not have the required cumulative grade average. For the remaining nine students, school officials explain that while students may not have taken sufficient courses required for their majors in a particular term, the school takes a holistic, best-practices approach to advisement and students register for courses that could enable them to enhance their knowledge, explore other opportunities, promote their academic success, or prepare for a change in major.

Auditors' Comments - The nine students were not pursuing enough courses applicable to the program in which they were enrolled. Therefore, they were not in good academic standing.

TAP Awards Not Fully 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 eight awards (two from our statistical sample period and six from outside the period) that had not been fully credited to the accounts of five students. Since Molloy 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 - School officials agree with these disallowances.

Auditors' Comments - In March and April 2008, the school distributed six of these awards to three students. In determining the total audit disallowance, we have subtracted the awards subsequently credited to those students.

Students Not Matriculated

Criteria - Section 661 of the Law requires students to be matriculated in an approved program to be eligible for State financial aid. SED's Memorandum to Chief Executive Officers No. 84-07 requires baccalaureate degree program students to declare a major by the beginning of their junior year in order to be considered matriculated for financial aid purposes. Molloy's catalog classifies a student as a junior when the student completes a minimum of 64 credits.

The Law also requires students who received their first financial aid payment during the 1996-97 through 2006-07 academic years 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.

Audit Determination - We disallowed five awards (two awards from our statistical sample period and three from outside the period) paid on behalf of three students who were not properly matriculated. One student did not declare a major until the first term of his senior year; at that point, he had already earned 108 credits. Molloy did not have evidence of high school graduation or its equivalent for the two other students.

School Officials' Position - School officials state that the student who did not declare a major was being advised by the business department and was taking courses toward his intended business management major. They agree with the disallowances for the two students for whom Molloy had no proof of high school graduation or the equivalent.

Auditors' Comments - If a student does not declare a major by the junior year, the student is not matriculated for financial aid purposes and cannot receive a TAP award.

Students Awarded Excess TAP Payments

Criteria - Section 667(2) of the Law states that students enrolled in two-year programs can receive no more than three years of State financial aid.

Audit Determination - We disallowed three awards from outside the statistical sample period paid on behalf of three students who received excess TAP payments. The three students, enrolled in the Respiratory Care program, a two-year program, received more than three years of TAP payments.

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

Overcertified 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 disallowed one award from our statistical sample period that had been paid on behalf of a student whose tuition had been reported incorrectly to HESC. The student would not have been entitled to a TAP award based on the correct tuition liability.

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

Other Matters Needing Attention

The following finding does not result in audit disallowances. It pertains to a control issue that Molloy 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 24 transcripts that we reviewed for students in our audit sample.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$462,952, plus applicable interest, from Molloy College for its incorrect TAP certifications.*
2. *Ensure that Molloy officials comply with the Higher Education Services Corporation requirements related to crediting TAP awards, certifying accurate tuition amounts, and limiting the duration of TAP awards.*

Recommendation to the State Education Department

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

Major contributors to this report were Frank Houston, Gene Brenenson, Diane Gustard, Jean-Renel Estime, and Elizabeth Norniella.

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

Very truly yours,

Cindi Frieder
Audit Manager

cc: Dr. Drew Bognar, Molloy College
Tom Lukacs, Division of the Budget