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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: SUNY – College at Old Westbury
Report 2001-T-6

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 the State University of New York College at Old Westbury (Old Westbury) 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 Old Westbury was overpaid \$184,274, because college officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 7,879 TAP certifications Old Westbury 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 10 awards totaling \$10,186. 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 \$172,736. We also disallowed 13 awards totaling \$12,331, based on our review of other awards from outside the statistical sample period. Old Westbury officials subsequently decertified one

disallowed award for \$793. Therefore, we recommend that HESC recover a net total of \$184,274, plus applicable interest, from Old Westbury.

Background

Old Westbury is a State University of New York (SUNY) four-year, degree-granting college located in Nassau County, New York. Old Westbury offers bachelor degrees and a certificate in numerous arts, sciences and business programs that are approved by the New York State Education Department (SED) for TAP eligibility. Old Westbury was chartered in 1965 and has approximately 3,200 full and part-time students.

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 Old Westbury 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 Old Westbury'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, Old Westbury officials certified 7,879 TAP awards totaling \$9,154,092 paid on behalf of 2,893 students during the three academic years that ended on June 30, 2001. We reviewed a statistical sample of 200 TAP awards totaling \$228,207 made to 196 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 Old Westbury that are included within our audit scope. These standards also require that we review and report on Old Westbury's internal control system and its compliance with those laws, rules, and regulations that are relevant to Old Westbury'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 Old Westbury, 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.

Old Westbury's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Old Westbury'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 Old Westbury's overall compliance with such provisions.

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

Audit Disallowances

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 Matriculated	3	\$3,805	
Students Not in Full-Time Attendance	3	2,448	
Students Not in Good Academic Standing	2	2,904	
TAP Not Posted to Students' Accounts	<u>3</u>	<u>2,471</u>	
Total Disallowances from the Statistical Sample	11	11,628	
Less: Disallowances for More Than One Reason	<u>1</u>	<u>1,442</u>	
Net Disallowances from the Statistical Sample	<u>10</u>	<u>\$10,186</u>	
Projected Amount			\$172,736

Disallowances from Outside the Statistical Sample Period:

Students Not Matriculated	6	\$7,115
Students Not in Full-Time Attendance	2	275
Students Not in Good Academic Standing	4	2,522
TAP Not Posted to Students' Accounts	<u>2</u>	<u>2,557</u>
Total Disallowances from Outside the Sample	14	12,469
Less: Disallowances for More Than One Reason	<u>1</u>	<u>138</u>
Net Disallowances from Outside the Sample	<u>13</u>	<u>12,331</u>
Total Audit Disallowance		185,067
Less: Decertified Award		<u>793</u>
Net Audit Disallowance		<u>\$184,274</u>

The reasons for the disallowances are discussed on the following pages. Details of the statistical projection, students' names, and related information were provided separately to Old Westbury officials.

Students Not Matriculated

Criteria – Section 661 of the Law requires that students be matriculated in an approved program to be eligible for financial aid. It also requires students who received their first financial aid payments in the 1996-1997 academic year or thereafter 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. Section 52.2 of the Regulations states, “the admission of a student shall be determined through an orderly process using published criteria which shall be uniformly applied.” This requirement is met if students meet the college’s published criteria.

Old Westbury requires prospective freshmen to submit applications for admission and high school transcripts as proof of high school graduation. Freshmen with high school equivalency diplomas must submit copies of their diplomas and test scores. Transfer students are required to submit transcripts from their previous post-secondary institution. They are also required to submit copies of their high school transcript or high school equivalency diploma if they have less than 24 earned credits from a post-secondary institution.

Old Westbury’s catalog classifies a student as a junior when the student earns 57 credits. The catalog also requires students to declare a major, by filing a “Declaration of Major Form” with the college’s Registrar, before the student has accumulated 57 credits. Moreover, the catalog states that students will lose State financial aid eligibility if they fail to declare a major by the time they have earned 57 credits.

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. HESC and SED have agreed 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.

Audit Determination – We disallowed nine awards (three awards from our statistical sample period and six from outside the period) paid on behalf of eight students who were not properly matriculated. The admission files for two of these students did not contain proof of high school graduation or its equivalent. The remaining six students did not declare majors by the beginning of their junior year and therefore did not meet the matriculation requirement.

School Officials’ Position – Old Westbury officials disagree with the disallowances for the six students who did not declare a major by the beginning of their junior year. They state that the students were not certified for the awards until they declared a major, and this was done within the junior term. They added that, although the timing within the semester may be at issue, they acted in good faith and believe they adhered to the Regulations.

Auditors’ Comments – The six students did not declare their major within 30 days after the drop/add period of the first semester of their junior year.

Students Not in Full-Time Attendance

Criteria – Section 661 of the Law requires that students 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. SED’s Chief Executive Officers Memorandum No. 86-17 states, “if a student repeats a course in which a passing grade acceptable to the institution has already been received, the course cannot be included as part of the student’s minimum full-time course load for financial aid purposes.” It further 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 five awards (three awards from our statistical sample period and two from outside the period) paid on behalf of four students who did not meet the full-time requirement. Three students enrolled in courses that were not applicable to the program in which they were enrolled or repeated courses they had previously passed. Therefore, they were not enrolled for 12 hours creditable toward their degrees. The fourth student was not enrolled in any classes during the semester for which he received an award.

School Officials’ Position – Old Westbury officials disagree with the disallowance for the student who did not take any classes for the semester in which he received an award and whose award Old Westbury officials subsequently decertified. They state that this case does not address any inconsistency with the Regulations pertaining to full-time attendance and request that the amount of the disallowance not be projected due to the fact that the student was not eligible for the TAP award and did not benefit by receiving one.

Auditors’ Comments – The student did not meet the full-time requirement for the semester the award was received.

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 No. 81-12 states that the requirements for good academic standing may be waived for "exceptional or extraordinary cases" beyond a student's control. Moreover, it requires that, "a complete case record should be maintained for students who receive the waiver. Failure on the part of an institution to ... maintain necessary documentation may result in an audit disallowance." The participation agreement between the college and HESC states that the institution shall establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under the agreement and that these records must be kept for the balance of the calendar year in which they were made and for six additional years thereafter.

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

Old Westbury granted TAP waivers to two of the five students, thus allowing them to receive awards in semesters after they had lost good academic standing. However, the college did not maintain the required records for these waivers, and cannot demonstrate that the waivers were granted appropriately. The remaining three students did not receive TAP waivers, did not make up the deficiencies at their own expense, or did not remain out of school for one year.

School Officials' Position – Old Westbury officials disagree with the disallowance for one student who did not maintain the specified minimum cumulative grade point average. They state that this student was considered by Old Westbury to have the appropriate grade point average. With regard to the two TAP waivers, Old Westbury officials state they have addressed their procedures for maintaining waiver documentation.

Auditors' Comments – Our calculation of the cumulative grade point average for the student, using the grades earned at the time of certification, showed that the student did not have the grade point average needed to meet the satisfactory academic progress requirement.

TAP Not Posted to Students' Accounts

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

Audit Determination – We identified five students (three awards from our statistical sample period and two from outside the period) whose TAP awards were not credited to their accounts. Since the college did not distribute the funds properly so the students could benefit from the TAP award, we are disallowing these awards.

School Officials' Position – Old Westbury officials disagree with three of the disallowances, stating that the students' tuition was deferred by the award amount to ensure that the benefit of TAP would be realized.

Auditors' Comments – The awards were received by Old Westbury several months and, in some cases, years earlier. The student account cards for the three awards indicate that tuition was assessed; however, the TAP awards were not posted.

Other Matters Needing Attention

The following findings pertain to control issues that Old Westbury officials need to address.

Accuracy of Transcripts

Criteria – Section 52.2(e) of the Regulations requires institutions 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.”

In addition, SED officials informed us that if a student repeats a course previously failed, or earns a higher grade after repeating a course, the term grade point average when the original grade was earned cannot be changed.

Audit Determination – When a student repeats a course previously failed, or earns a higher grade after repeating a course, Old Westbury's policy is to exclude the original grade when calculating the term grade point average. As a result, the term grade point average was reported incorrectly on the transcripts of numerous students reviewed. For example, the transcript for one student showed a term grade point average of 3.00, while the correct term grade point average, including the F grades earned that semester, was 1.00.

School Officials' Position – Old Westbury officials state that their policy is similar to policies administered by colleges within the SUNY system.

Auditors' Comments – Transcripts should be maintained accurately, in accordance with SED policy.

Students Graduating Without the Required Courses

Criteria – The school's catalog defines specific program and academic requirements students must meet in order to graduate.

Audit Determination – We identified several students who graduated, yet failed to meet published program requirements. These students did not take all the courses that were specified for their degrees, and college officials did not provide documentation to show that alternative courses were approved.

School Officials' Position – Old Westbury officials acknowledge the need for, and are planning improvements in this area.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$184,274, plus applicable interest, from the College at Old Westbury for its incorrect TAP certifications.*
2. *Ensure that the College at Old Westbury posts TAP awards to students' accounts in a timely manner.*

Recommendation to the State Education Department

Ensure that the College at Old Westbury complies with State Education Department requirements relating to matriculation, graduation, good academic standing, TAP waivers, full-time status, and accuracy of transcripts cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Erica Mezich, Christopher James, and Mikhail Melamud.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Dr. Calvin O. Butts
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