

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 21, 2003

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

Mr. Pierre L. Alric
Acting President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: College of Aeronautics
Report 2002-T-3

Dear Mr. Mills and Mr. Alric:

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 Aeronautics (Aeronautics) 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 Aeronautics was overpaid \$356,765, because college officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 3,604 TAP certifications Aeronautics had 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 17 awards totaling \$29,807. A statistical projection of these disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$328,551. We also disallowed 15 awards totaling \$28,214, based on our review of other awards from outside the statistical sample period. Therefore, we recommend that HESC recover a total of \$356,765, plus applicable interest, from Aeronautics.

Background

Aeronautics is a private college located near LaGuardia Airport in Flushing, New York. Aeronautics offers 17 programs leading to associate and bachelor degrees in aeronautical and aerospace-related fields that are approved by the New York State Education Department (SED) for TAP eligibility. Aeronautics was founded in 1932 and has an enrollment of approximately 1,300 undergraduate 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 Aeronautics 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 Aeronautics' management had 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, Aeronautics officials certified 3,604 TAP awards totaling \$6,094,532 that was paid on behalf of 1,375 students during the three academic years that ended on June 30, 2001. We reviewed a statistical sample of 200 randomly-selected TAP awards totaling \$332,051 made to 200 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 Aeronautics that are included within our audit scope. These standards also require that we review and report on Aeronautics' internal control system and its compliance with those laws, rules, and regulations that are relevant to Aeronautics' 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 Aeronautics, 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 supporting claims for student financial aid.

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

Our audit showed that, for the transactions and records tested, Aeronautics 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 in Good Academic Standing	8	\$11,422	
Students Not in Full-Time Attendance	9	17,622	
TAP Not Posted to Students' Accounts	2	3,715	
Student Not Matriculated	<u>1</u>	<u>2,063</u>	
Total Disallowances from the Statistical Sample	20	34,822	
Less: Disallowances for More Than One Reason	<u>3</u>	<u>5,015</u>	
Net Disallowances from the Statistical Sample	<u>17</u>	<u>\$29,807</u>	
Projected Amount			\$328,551
Disallowances from Outside the Statistical Sample Period:			
Students Not in Good Academic Standing	11	\$22,243	
Students Not in Full-Time Attendance	3	5,546	
TAP Not Posted to a Student's Account	<u>1</u>	<u>425</u>	
Total Disallowances from Outside the Sample	<u>15</u>		<u>28,214</u>
Total Audit Disallowance			<u>\$356,765</u>

The various types of disallowances are discussed below. The students' names and related information were provided separately to Aeronautics officials.

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 (CEO) 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."

Appendix C of the Commissioner's Guidelines on Good Academic Standing states that rounding up of the cumulative Grade Point Average (GPA) of students who have close to a 2.0 cumulative GPA is allowable only if that is the school's policy, as evidenced on the student's transcript.

Audit Determination - We disallowed 19 awards (8 awards from our statistical sample period and 11 from outside the period) paid on behalf of 16 students who did not maintain good academic standing. Four of these students, who either withdrew from some courses or took courses not applicable to their designated programs, did not earn passing or failing grades in enough courses creditable to their degree to meet the pursuit of program requirements. Ten other students did not earn enough cumulative credits and/or earn the cumulative GPA required on the school's chart of satisfactory academic progress to maintain TAP eligibility. The remaining two students failed to meet the requirements relating to both satisfactory academic progress and program pursuit.

School Officials' Position - Aeronautics officials disagreed with the findings for six awards paid on behalf of six students. They contended that three of the six students were granted waivers that allowed them to remain in good academic standing. Officials provided copies of waiver request forms from two of the students, and a letter from the third student's employer verifying the student's required work schedule. Aeronautics officials added that two other students had the appropriate cumulative GPA and number of credits, respectively, to receive their awards. They also contended that the sixth student had changed his curriculum, and that the disallowed courses were allowed under the new curriculum.

Aeronautics officials also requested that the cumulative GPA and/or the cumulative number of credits for two other students be rounded to the next whole number, thus bringing the students into compliance with the applicable good academic standing requirement. One student earned a cumulative GPA of 1.99 instead of the required 2.0; the other student earned 17.5 cumulative credits instead of the minimum 18 credits required on the school's chart of satisfactory academic progress.

Auditors' Comments - Aeronautics did not maintain adequate documentation for each waiver as required by SED's CEO 81-12. Only one of the three waivers was supported by a signed waiver application, indicating the waiver was granted. This student cited as the basis for the waiver an

inability to focus properly in some classes because the student was working full-time and had not set up a flexible schedule. There was inadequate documentation that this was an exceptional or extraordinary situation, due to circumstances beyond the student's control. Signed, approved waivers for the other two students were not provided. Documentation provided by school officials for these students, which related to work or financial-related issues, did not indicate to what extent the student's loss of good academic standing was due to circumstances beyond the student's control or to work-schedules that were changed by employers after the point when the students could have changed their class schedules without penalty. We were advised by SED officials that arranging compatible work and class schedules is the student's responsibility and not beyond the student's control.

Regarding the two students who did not have either the appropriate cumulative grade point average or the required number of credits to receive their awards, we found one student had a cumulative grade point average of 1.75, rather than the required 2.0, while the other had earned 17 credits, rather than the minimum of 18 credits required for his/her award. The student who, according to college officials, changed his curriculum, actually made that change after the term for which the TAP award is being disallowed.

For the two students for whom school officials requested a rounding of their cumulative GPA and/or cumulative number of credits, our review of Aeronautics' transcripts reflects that the college's practice is not to round grade point averages or number of credits. We also noted that both students failed to earn the cumulative GPA and/or required minimum cumulative credits in the semester prior to, or subsequent to, the semester in which their award was disallowed.

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 a 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 12 awards (9 awards from our statistical sample period and 3 from outside the period) paid on behalf of 11 students who failed to meet the full-time attendance requirement. One student registered for courses totaling 12.5 credits, but never attended one 3-credit course; therefore, the student did not meet the minimum full-time requirement for that semester (fall 1999). Each of the remaining 10 students enrolled in courses totaling less than 12 credits applicable to their degree program.

School Officials' Position - School officials agreed with the disallowance for one of the students. They contend they decertified, on April 26, 2002, the fall 1999 award on behalf of another student

who registered, but never attended one 3-credit course. School officials disagreed with the remaining ten disallowances that were paid on behalf of nine students. They asserted that all courses, including electives, were indeed applicable to the degree programs of these students.

Auditors' Comments - HESC records indicate that the TAP award that Aeronautics officials said had been decertified was neither decertified nor returned to HESC as of January 28, 2003. The remaining nine students did not meet the full-time requirement because they were enrolled in courses totaling less than 12 credits applicable to the degree programs in which they were enrolled during the disallowed term. Six of the nine students were enrolled in courses that were applicable to a degree program into which they later transferred.

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 three awards (two awards from our statistical sample period, and one from outside the period) that had been paid on behalf of three students whose TAP awards were either not credited or not fully credited to their accounts. Since Aeronautics did not distribute the funds properly so the students could benefit from the TAP awards, we are disallowing these awards.

School Officials' Position - Aeronautics officials agreed with the disallowance for the award that had not been fully credited to the student's account. They contend that the two other TAP awards were returned to HESC, and provided us with the TAP payment certification change forms that they contend were sent to HESC on February 9, 2000 and April 26, 2002, respectively.

Auditors' Comments - According to HESC records, these awards had not been decertified as of January 28, 2003, nor were the related amounts refunded to HESC.

Student 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 payment in the 1996-97 academic year or thereafter, to have a high school diploma or its 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." Compliance with these requirements is demonstrated when students meet the institution's admission criteria as published in its catalog. Aeronautics' catalog requires applicants to submit evidence of high school graduation or its equivalent.

Audit Determination - We disallowed one sample-term award paid on behalf of a student who had not been properly matriculated. School officials could not provide proof of high school graduation or its equivalent for this student, prior to the student's enrollment for the disallowed fall 1999 term.

School Officials' Position - Aeronautics officials contend that this student had graduated from high school in June 1999. However, they could not provide any documentation to support this contention.

Auditors' Comments - We contacted an official at the student's high school and were told that the student had graduated in January 2001, not June 1999.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$356,765 plus applicable interest from the College of Aeronautics for its incorrect TAP certifications.*
2. *Ensure that the College of Aeronautics posts TAP awards to students' accounts in a timely manner.*

Recommendation to the State Education Department

Ensure that the College of Aeronautics complies with State Education Department requirements relating to good academic standing, full-time status, matriculation, and waivers.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Harold Maher, Yelena Feldman, and Mostafa Kamal.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: John Fitzpatrick, President
Carole E. Stone
Deirdre A. Taylor