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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

August 19, 2004

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

Mr. Michael R. Wilton, Jr.  
President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, New York 12255

Re: The Sage Colleges  
Report 2003-T-10

Dear Messrs. Mills and Wilton:

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 Sage Colleges for the 1999-00 through 2001-02 academic years.

**Summary Conclusions**

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that the Sage Colleges were overpaid \$24,328, because college officials incorrectly certified 15 students as eligible for 21 TAP awards. Therefore, we recommend that HESC recover a total of \$24,328, plus applicable interest, from the Sage Colleges.

**Background**

The Sage Colleges (Sage) consist of Russell Sage College (RSC) in Troy, New York; the Sage College of Albany, New York, also known as the Junior College of Albany (JCA); Sage Evening College; and Sage Graduate School. Many of Sage's certificate, associate, bachelor, and master degree programs are approved by the New York State Education Department (SED) for TAP eligibility.

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 the report to SED, HESC and Sage 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 performance audit was to determine whether Sage's management had complied with the Law and the Regulations of the Commissioner of Education (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, for the three academic years that ended on June 30, 2002, Sage received most of its TAP funding under school codes specifically associated with RSC and JCA. During that period, RSC certified and received 2,536 TAP awards totaling \$3,005,008 on behalf of 886 students; and JCA certified and received 2,103 TAP awards totaling \$2,824,040 on behalf of 881 students. We reviewed 200 statistically-selected awards totaling \$250,942 (100 at RSC and 100 at JCA) that were granted during the three-year 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 Sage that are included within our audit scope. These standards also require that we review and report on Sage's internal control system and its compliance with those laws, rules, and regulations that are relevant to Sage'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 Sage, 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 the claims for student financial aid.

Sage's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Sage'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 Sage's overall compliance with such provisions. Our audit showed that, for the transactions and records tested, Sage was generally in compliance 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, several of which are performed by the Division of State Services. 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 who have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under Generally Accepted Government Auditing Standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

### **Audit Disallowances**

The following table summarizes the disallowances that resulted from our audit.

<b><u>Reason for Disallowance</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>
Students Not in Full-Time Attendance	9	\$11,647
Students Not in Good Academic Standing	6	9,867
Student Not Meeting New York State Residency Requirement	2	2,268
Students Awarded Excess TAP Payments	2	2,061
Student Not Meeting High School Graduation Requirement	2	660
TAP Awards Not Fully Credited to Students' Accounts	<u>2</u>	<u>62</u>
Total Audit Disallowance	23	26,565
Less: Awards Disallowed for More Than One Reason	<u>2</u>	<u>2,237</u>
Net Audit Disallowance	<u>21</u>	<u>\$24,328</u>

### **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 credit hours a semester for a semester of 15 weeks or its equivalent. SED's Chief Executive Officers' (CEO) Memorandum No. 86-17 requires that a student's minimum course load be creditable toward the degree in which he or she is enrolled. It also states that 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.

*Audit Determination* - We disallowed nine awards that had been paid on behalf of seven students who did not maintain full-time status. Four of the students received awards for terms during which they repeated courses they had previously passed. The other three students received awards for terms during which they were enrolled in course work that was not applicable to their degree programs.

*School Officials' Position* - Sage officials agree with this finding.

### **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 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 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. CEO No. 86-17 states that a course in which an acceptable grade has already been earned cannot be considered in determining whether a student has met the pursuit of program requirement.

A student who fails to maintain good academic standing loses TAP eligibility. Students can regain good academic standing by making up the deficiencies without benefit of State awards, 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 that had been paid on behalf of four students who did not maintain good academic standing. Two of these students had received awards in terms after failing to be in pursuit of their approved program of study. Because they withdrew from courses or had repeated courses they had previously passed, neither of these students had earned passing or failing grades in the appropriate percentage of the minimum full-time course load required to qualify for TAP. Another student did not earn enough cumulative credits as required on the school's chart of satisfactory academic progress to maintain TAP eligibility. The remaining student failed to meet the requirements relating to both pursuit of program and satisfactory academic progress. This student did not earn passing or failing grades in the appropriate percentage of the minimum full-time course load required to qualify for TAP because she had withdrawn from courses and also failed to earn the required number of cumulative credits required on the school's chart of satisfactory academic progress.

School Officials' Position - Sage officials agree with this finding.

### **Student Not Meeting New York State Residency Requirement**

Criteria - Section 661 of the Law requires that an applicant for a TAP award at the undergraduate level of study be either a legal resident of New York State (State) for at least one year immediately preceding the beginning of the semester for which the award is made or be a legal resident of the State who was also a legal resident during the last two semesters of high school. HESC's Manual of Programs and Procedures stipulates that institutions should not certify eligibility for State awards for any student whose State residency is suspect.

Audit Determination - We disallowed awards for the summer and fall terms of 2000 that had been paid on behalf of a student who did not meet the State residency requirement. Because the student

had become a legal resident of the State in January 2000, she was not eligible to receive TAP awards until the spring 2001 term.

School Officials' Position - Sage officials agree with this finding.

### **Students Awarded Excess TAP Payments**

Criteria - Section 667 of the Law states that unless an undergraduate student is enrolled in a program of study that requires five years, he or she is eligible for TAP awards for no more than four academic years. It further states that a student who is enrolled in a two-year program is eligible for TAP awards for no more than three academic years.

Audit Determination - We disallowed two awards that had been paid on behalf of two students, each of whom had received an excess TAP payment. One of the students was enrolled in a two-year program but had received a TAP award for a fourth year, thus exceeding the three academic year limit stated in the law. The other was enrolled in a four-year program, but had received a TAP award for a fifth year.

School Officials' Position - Sage officials agree with this finding.

### **Student Not Meeting High School Graduation Requirement**

Criteria - Section 661 of the Law 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 (i.e., an ATB test) that demonstrates that the student can benefit from the education being offered.

Audit Determination - We disallowed the TAP awards for the fall 2000 and spring 2001 terms that had been paid on behalf of a student who did not meet the high school graduation requirement. The student had completed her junior year of high school in June 2000, and had entered Sage in September 2000 through the college's early admission program. College officials could not provide evidence that the student had earned a high school equivalency diploma or had passed an ATB test before she was admitted to the college. The student subsequently completed the high school graduation requirements in June 2001 while attending Sage College.

School Officials' Position - Sage officials agree with this finding.

### **TAP Awards Not Fully Credited to Students' Accounts**

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

Audit Determination - We partially disallowed two awards that had been paid on behalf of two students whose TAP awards were not fully credited to their accounts. Since Sage did not distribute

all of the funds so the students could benefit from the TAP awards, we are disallowing the undistributed portion of these awards.

School Officials' Position - Sage officials agree with this finding.

### **Recommendations to the Higher Education Services Corporation**

1. *Recover the \$24,328, plus applicable interest, from the Sage Colleges for their incorrect TAP certifications.*
2. *Ensure that officials at the Sage Colleges do not certify students for TAP awards unless they meet the New York State residency requirement, and that they do not certify any students for excess TAP payments.*
3. *Ensure that Sage officials are posting the full amount of TAP awards to students' accounts in a timely manner.*

### **Recommendation to the State Education Department**

*Ensure that officials at the Sage Colleges comply with the State Education Department requirements for full-time study, good academic standing, and high school graduation cited in this report.*

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Maureen Costello and Brittany Hayes.

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

Very truly yours,

Frank J. Houston  
Audit Director

cc: Dr. Jeanne H. Neff