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OFFICE OF THE STATE COMPTROLLER

January 17, 2006

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: ASA Institute of Business and Computer  
Technology  
Report 2004-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 ASA Institute of Business and Computer Technology (ASA) for the 2000-01 through 2002-03 academic years.

**Summary Conclusions**

In accordance with Article 14, Section 665(3)(b), of the New York State Education Law (Law), we determined that ASA was overpaid \$505,502, because school officials incorrectly certified nine students as eligible for 11 TAP awards. We tested the accuracy of the 11,422 TAP certifications the school awarded for the three-year period that ended on June 30, 2003, by reviewing a sample of 200 randomly-selected awards and evaluating the results using statistical methods. From our random sample, we disallowed nine awards totaling \$19,345. A projection of these audit disallowances to the entire population, using statistical sampling methods, using a 95-percent single-sided confidence level, results in an audit disallowance of \$502,027. We also disallowed two

awards totaling \$3,475 based on our review of awards from outside the statistical sample period. These were not projected to the population. Therefore, we recommend that HESC recover a total of \$505,502, (\$502,027 and \$3,475), plus applicable interest, from ASA.

## **Background**

ASA, located in Brooklyn, New York, is a two-year degree-granting institution that began operations in July 1985. Prior to the 1999-2000 academic year, ASA operated as a non-degree-granting institution (registered business school). ASA currently offers thirteen certificate programs and four two-year Associate in Occupational Studies degrees in accounting, computer programming and information systems, and medical assisting. The New York State Education Department (SED) has approved 10 of ASA's programs for State financial aid eligibility. Students from more than 80 countries are represented in ASA's student body.

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 HESC, SED and ASA 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 audit was to determine whether ASA'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, ASA officials certified 11,422 TAP awards totaling \$24.3 million that were paid on behalf of 5,156 students during the three academic years that ended on June 30, 2003. We reviewed a random sample of 200 TAP awards totaling \$435,706 that were made to 198 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 in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of ASA that are included within our audit scope. Further these standards also require that we review and report on ASA's internal control system and its compliance with those laws, rules, and regulations that are relevant to ASA'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 ASA, 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 school’s accounting system and other systems that would support claims for student financial aid.

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

Our audit found that, for the transactions and records tested, ASA 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 whom 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>Reasons for Disallowance</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>	<b><u>Total</u></b>
<b>Disallowances from the Random Sample Period:</b>			
Students Not Matriculated	7	\$15,802	
Student Not in Good Academic Standing	1	2,343	
Student Not in Full-Time Attendance	<u>1</u>	<u>1,200</u>	
Total Disallowance from the Random Sample	<u>9</u>	<u>\$19,345</u>	
Projected Amount			\$502,027

**Disallowances from Outside the Random Sample Period:**

Student Not in Good Academic Standing	<u>2</u>	\$ <u>3,475</u>
Total Disallowance from Outside the Sample		<u>3,475</u>
Total Audit Disallowance		<u>\$505,502</u>

The disallowances are discussed in the following paragraphs. Students' names and related information were provided separately to ASA 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 payment in the 1996-97 academic year, or thereafter, to have a certificate of graduation from a high school or its recognized equivalent; or to have achieved a passing score, as determined by the United States Secretary of Education, on a Federally-approved examination.

On October 11, 2002, SED issued Chief Executive Officers (CEO) Memorandum No. 6. This memorandum, known as CEO No. 6, was addressed to chief executive officers of New York State degree-granting institutions and described the types of documents that would be considered acceptable as evidence of high school graduation. CEO No. 6 also stated that "affidavits will be acceptable to substantiate high school completion when there is documented evidence that an effort has been made to obtain a credential but extenuating circumstances such as a natural disaster, fire, closing of a school, or inaccessible foreign documents made it impossible." CEO No. 6 further stated that SED planned to develop and issue guidelines for degree-granting institutions concerning the proper procedures for using affidavits. It added that "until the guidelines are available, institutions must assure that affidavits are obtained at the time of admission and are signed by the student, dated, and notarized." SED has not yet developed or issued guidelines regarding the proper use of affidavits.

*Audit Determination* - We disallowed seven awards for six students from the random sample period, each of whom, according to documents provided by ASA officials, had attended high school in a foreign country. School officials provided us with copies of the secondary education certificates that two of the six students had submitted as evidence of their graduation from high school. SED officials reviewed the documentation and informed us that these certificates were not the equivalent of high school diplomas.

The other four students had submitted affidavits to substantiate high school completion because they reported that they had lost their high school diplomas. In the case of one of the four students, the documentation provided by ASA disclosed that the student had been living in the United States during the period he had supposedly attended and graduated from high school in a country in Central Asia. Therefore, we conclude that this affidavit attested to information that was incorrect. For the three remaining students, the affidavits were incomplete and/or did not document an attempt to obtain the high school diploma.

School Officials' Position - School officials agree with the disallowances for three of the six students but disagree with those for the remaining three students, who had submitted affidavits attesting to their high school graduation. School officials provided us with a translation and evaluation of a diploma for one of the three students. They also provided us with a letter from an official at the Ministry of Education in Guyana. This letter indicated that it may be difficult or impossible to obtain records from the schools that the other two students had attended.

Auditor's Comment - We sought guidance from SED representatives and were informed that the translated document submitted for one of the three students is not the equivalent of a high school diploma. For the other two students, high school attendance in Guyana in the 1960s and 1970s, as noted on their affidavits, is not indicative of graduation. Instead, to be considered graduates and accepted for further study, these students needed to have passed the Caribbean Examination Council (CXC) or the General Certificate of Education (GCE) "O" Level examinations. Neither student attested to having passed either examination.

### **Students Not in Good Academic Standing**

Criteria - Section 665 of 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 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 for which an award is received, he or she 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, students can regain good academic standing by making up the academic deficiencies by completing one or more terms of study without benefit of State awards, obtaining a one-time TAP waiver, being readmitted to school after an absence of one year or more, or transferring to another institution.

Audit Determination - We disallowed three awards (one from our statistical sample period and two from outside the period) that had been paid on behalf of two students who did not maintain good academic standing. Neither student had earned passing or failing grades in enough courses creditable to their degree to meet the pursuit of program requirements. They withdrew from all courses during the summer 2002 and spring 2003 terms, respectively. In addition, neither student had received TAP waivers, had made up the deficiencies without benefit of State awards, or had remained out of school for one calendar year. Therefore, neither was eligible to receive a TAP award.

School Officials' Position - School officials disagree with the disallowances for a student who withdrew from her spring 2003 courses. They contend that the student should be eligible for the fall 2003 term TAP award, since she completed the required credits during the summer 2003 term at her own expense. School officials did not respond to the disallowance for the student who withdrew

from her courses during the summer 2002 term.

*Auditor's Comment* - The student who withdrew from all courses during the spring 2003 term was not in good academic standing at the end of the term. Thus, she was ineligible for a TAP award for the summer 2003 term, which we disallowed. We do not agree with ASA officials that the student earned the credits at her own expense. The credits were earned via an ineligible TAP award.

### **Student Not in Full-Time Attendance**

*Criteria* - Section 661 of the Law requires students to 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 semester hours during a semester of not less than 15 weeks.

CEO 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.” Paragraph (1) of subdivision (a) of Section 145-2.1 of the Regulations states, “a student carrying a full-time program that includes noncredit remedial courses shall carry at least six semester hours a semester, except that in the first semester of study such a student need carry only three semester hours.”

*Audit Determination* - We disallowed one award from the statistical sample period that had been paid on behalf of a student who did not meet the full-time requirement. This student had enrolled in three non-credit ESL courses and one three-credit course during the fall 2002 term. She was not considered to be in her first semester of study because she had received three TAP awards at another institution prior to enrolling at ASA. To be eligible for the fourth TAP award, she needed to enroll for at least six credits.

*School Officials' Position* - School officials did not respond to this finding.

### **Other Matter - Use of Affidavits**

The rules regarding admission and eligibility for financial aid have evolved over the last decade for both degree-granting and non-degree-granting schools. Generally, prior to 1992, a student had to demonstrate that they either graduated from high school or that they had passed a federally-approved examination in order to gain admission to a school and to be eligible for financial aid. In March 1992, SED issued Informational Policy Memorandum (IPM) No. 37 which allowed immigrants seeking admission to non-degree-granting schools to provide an affidavit in lieu of a high school diploma as proof of graduation. The purpose for this change was to allow students who had lost their diploma and had immigrated to the United States to gain admission and establish eligibility for financial aid, if circumstances in their native land prevented them from obtaining a copy of their diploma. Such circumstances could include things such as a high school closing, the destruction of records, etc. In October 2002, SED issued CEO No. 6 which extended the ability to use affidavits to degree-granting schools. In both SED advisories, the student was required to demonstrate that a good faith effort had been made to obtain the high school diploma.

Our review of ASA’s files demonstrates that SED needs to issue stronger guidance regarding

the proper use of affidavits and should consider restricting the use of affidavits. Our review of 198 student files, selected at random from the scope period of our audit, noted that 38 of the 198 students (or 19 percent) had gained admission to ASA through the affidavit process. We found that 27 of these affidavits were dated prior to October 2002, when SED extended the affidavit process to degree-granting schools. Thus, ASA was inappropriately using affidavits to establish admission (ASA became a degree-granting school in the 1999-2000 academic year).

We also noted that in 36 of the 38 cases, there was limited information in the files regarding what constituted the extenuating circumstances that prevented the applicant (or ASA) from obtaining the missing diploma. ASA's files generally contained only a copy of a "High School Transcript Request Form" completed by a student and a copy of the stamped envelope used to mail the form. (ASA officials believe that these copies are ample evidence of the student's attempt to obtain the diploma.) We found that for eight students, there was no such form or copy of the envelope in the file. The weakness in SED's affidavit process was also demonstrated by our review of the files that had forms. In at least 19 instances, the request for a transcript that was sent to the foreign high school was dated the same day or on a date after the affidavit was signed by the student stating that they had lost the diploma and were unable to obtain a copy due to extenuating circumstances. The addresses on the envelopes also appeared to be incomplete in some instances.

ASA officials did not provide us with responses from the foreign high schools to which the students' requests for transcripts were sent. Although it is unreasonable to expect that every high school would respond to a request for a transcript or a copy of the diploma, it is also unlikely that every request would go unanswered. As discussed in a prior section of this report entitled *Students Not Matriculated*, we did find that some students had signed affidavits that were inaccurate and that four students in our sample had not graduated, as they had indicated in their affidavits.

SED has not issued guidelines that clearly detail what is required by a student (and the admitting school) to demonstrate a good faith effort to obtain a copy of the high school diploma before an affidavit can be used for admittance. However, it seems unreasonable that a student can be admitted the same day (or shortly thereafter) a request for a transcript is made. This practice does not demonstrate, in our opinion, a good faith effort, as the request would not have had time to reach the school and be answered. Further, it appears that SED also has reason to issue guidance regarding schools in certain Caribbean countries. In some areas of the Caribbean, the student must pass an independently administered examination at the completion of their Secondary Education Cycle to be considered a high school graduate and eligible for post-secondary school study. These examinations are administered by organizations that should have records indicating which students have received passing scores. Yet there is no SED guidance issued to schools requiring that such organizations be contacted regarding a student's status.

SED officials have acknowledged that there are weaknesses in the affidavit process. They further indicated that they are considering whether affidavits will be acceptable in the future to document admission requirements for degree-granting institutions.

**Recommendation to the Higher Education Services Corporation**

*Recover the \$505,502, plus applicable interest, from the ASA Institute of Business and Computer Technology for its incorrect TAP certifications.*

**Recommendations to the State Education Department**

1. *Ensure that the ASA Institute of Business and Computer Technology officials comply with the State Education Department requirements relating to matriculation, good academic standing, and full-time status.*
2. *Reevaluate the policy on the use of affidavits as a means of documenting that a student graduated from high school. Consider reinstating the requirement that a student submit either a certificate of graduation from a high school or its recognized equivalent; or achieve a passing score, as determined by the United States Secretary of Education, on a federally-approved examination. If affidavits are still considered necessary, issue guidelines regarding their use.*

Major contributors to this report were Kenrick Sifontes, Karen Bogucki, Harry Maher, Yelena Feldman, Mostafa Kamal, and Danielle Marciano.

We wish to express our appreciation to the management and staff of ASA Institute of Business and Computer Technology for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Steven E. Sossei  
Audit Director

cc: Alex Shchegol, ASA Institute of Business and Computer Technology  
John F. Cape, Division of the Budget