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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 6, 2006

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

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

Re: School of Visual Arts
2005-T-5

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 the School of Visual Arts (SVA) for the 2002-03 through 2004-05 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that SVA was overpaid \$9,261, because school officials incorrectly certified seven students as eligible for eight TAP awards. SVA officials subsequently decertified one award totaling \$2,154. Therefore, we recommend that HESC recover a total of \$7,107 plus applicable interest, from SVA.

Background

SVA, located in New York City, is a degree-granting college that offers a Bachelor of Fine Arts degree program in advertising, animation, cartooning, computer art, film & video and graphic design, as well

as a Master of Fine Arts degree program in painting, drawing and sculpture. The New York State Education Department (SED) has approved some of SVA's programs for State financial aid 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 this report to HESC, SED and SVA 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 SVA'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, SVA certified 3,702 TAP awards totaling \$5.3 million that were paid on behalf of 1,191 students during the three academic years that ended on June 30, 2005. We reviewed a random sample of 200 TAP awards totaling \$299,575 that were made to 182 undergraduate students during that period and evaluated the results using statistical 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 SVA that are included within our audit scope. Further, these standards also require that we review and report on SVA's internal control system and its compliance with those laws, rules, and regulations that are relevant to SVA'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 SVA, 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.

SVA's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of SVA'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 SVA's

overall compliance with such provisions. Our audit found that, for the transactions and records tested, SVA 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, 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 Results

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

<u>Reasons for Disallowances</u>	<u>Number of Awards</u>	<u>Amount</u>
Students Not In Good Academic Standing	6	\$8,761
Students Not Meeting Full-Time Requirements	<u>3</u>	<u>750</u>
Total Audit Disallowance	9	9,511
Less: Disallowance for more than One Reason	<u>1</u>	<u>250</u>
Net Audit Disallowance	8	9,261
Less: Award Decertified by SVA	<u>1</u>	<u>2,154</u>
Disallowances Recoverable by HESC	<u>7</u>	<u>\$7,107</u>

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

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 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, students can regain good academic standing by making up the deficiencies 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. Students who lose TAP eligibility because their cumulative grade point average is less than 2.0 cannot regain eligibility by remaining out of school for a period of time.

Audit Determination - We disallowed six awards paid on behalf of five students who did not maintain good academic standing. These students did not earn passing or failing grades in enough courses creditable to their degree to meet the pursuit of program requirements. The students did not receive TAP waivers, did not make up the deficiencies without benefit of State awards, or did not remain out of school for at least one year. Therefore, they were ineligible to receive the TAP awards.

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

Students Not Meeting Full-Time Requirements

Criteria - Section 661(4)(b) of the Law requires in relevant part, that students be in full-time attendance, as defined by the Commissioner of Education, 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. SED's Memorandum to Chief Executive Officers 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 three awards paid on behalf of two students who did not meet the full-time requirements. One student repeated courses that had been passed in previous semesters. Therefore, the courses cannot be included as part of her minimum full-time course load for financial aid purposes. The other student received a TAP award for a semester in which he did not enroll in any courses.

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

Recommendation to the Higher Education Services Corporation

Recover the \$7,107, plus applicable interest, from the School of Visual Arts for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that School of Visual Arts officials comply with the State Education Department requirements relating to good academic standing and full-time attendance cited in this report.

Major contributors to this report were Karen Bogucki, Altagracia Rodriguez, Mostafa Kamal and Bebe Belkin.

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

Very truly yours,

Kenrick Sifontes
Audit Manager

cc: David Rhodes, President, School of Visual Arts
Lisa Ng, Division of the Budget