

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 30, 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: Boricua College
Report 2005-T-2

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 Boricua College (Boricua) for the 2001-02 through 2003-04 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that Boricua was overpaid \$314,593, because school officials incorrectly certified 17 students as eligible for 19 TAP awards. We tested the accuracy of the 5,949 TAP certifications the school awarded for the three-year period that ended on June 30, 2004, by reviewing a sample of 150 randomly-selected awards and evaluating the results using statistical methods. From our statistical sample, we disallowed 11 awards totaling \$16,659. A projection of these audit disallowances to the entire population, using statistical sampling methods and a 95 percent single-sided confidence level, results in an audit disallowance of \$301,019. We also disallowed eight awards totaling \$13,912 based on our review of other awards from outside the statistical sample. These were not projected to the population. Boricua officials also subsequently credited \$338 to the account of one student. Therefore, we recommend that HESC recover a total of \$314,593, plus applicable interest, from Boricua.

Background

Boricua, located in Manhattan, New York, is a degree-granting private for-profit college designed to meet the educational needs of Puerto Rican and other Spanish-speaking students. In addition to the Manhattan campus, Boricua has two campuses located in Brooklyn, New York. Boricua enrolls approximately 1,200 full-time students in degree programs leading to the Associate in Arts, Bachelor of Science and Arts, and Master of Science and Arts degrees. Fields of study include Childhood Education, Human Services, Business Administration, Liberal Arts and Sciences, and Inter-American Studies. Each field of study consists of a Generic and a Specialized component. Within each component, Boricua offers five distinct instructional models - Individualized Instruction, Colloquium, Experiential Studies, Theoretical Studies, and Cultural Studies. At the beginning of an academic term, each student, with the assistance of a faculty facilitator, prepares a personalized Learning Contract (Contract). The Contract specifies the student's educational goals for the term, how the five ways of learning will be utilized, and how the student's progress will be evaluated. A comprehensive portfolio containing the student's Contract, all exercises, examinations, and faculty evaluations for the term is maintained for each student. The New York State Education Department (SED) has approved some of Boricua'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 Boricua officials for their review and comment. We have considered HESC and Boricua's comments in preparing this audit report. SED did not provide any comments to the draft report.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether Boricua'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, Boricua certified 5,949 TAP awards totaling \$10.9 million that were paid on behalf of 2,207 students during the three academic years that ended on June 30, 2004. We reviewed a random sample of 150 awards totaling \$265,103 that were made to 142 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 Boricua that are included within our audit scope. Further, these standards also require that we review and report on Boricua's internal control system and its compliance with those laws, rules, and regulations that are relevant to Boricua'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 Boricua, 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.

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

Our audit found that, for the transactions and records tested, Boricua was generally not in compliance with these provisions, 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>	<u>Total</u>
Disallowances from the Statistical Sample:			
Students Not in Good Academic Standing	6	\$ 9,917	
Students Not Meeting Full-Time Requirements	4	6,404	
Award Not Fully Credited to a Student’s Account	<u>1</u>	<u>338</u>	
Total Disallowances from the Statistical Sample	<u>11</u>	<u>\$ 16,659</u>	
Projected Amount			\$301,019

Disallowances from Outside the Statistical Sample:

Students Not in Good Academic Standing	4	\$ 6,487	
Students Not in Full-Time Attendance	<u>6</u>	<u>9,837</u>	
Total Disallowances from Outside the Sample	10	16,324	
Less: Disallowances for More Than One Reason	<u>2</u>	<u>2,412</u>	
Net Disallowance from Outside the Sample	<u>8</u>	\$13,912	
Less: Amount Later Credited to a Student's Account		<u>338</u>	<u>13,574</u>
Total Audit Disallowance			<u>\$314,593</u>

The disallowances are discussed in the following paragraphs. Students' names and related information were provided separately to Boricua 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/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, 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 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 10 awards (six awards from our statistical sample and four from outside the sample) that had been paid on behalf of eight students who did not maintain good academic standing. Seven of these students did not earn passing or failing grades in enough courses, applicable to their designated programs, to meet the pursuit of program requirements. These students had enrolled in courses in excess of the course requirements for their distinct instructional model. When these courses are excluded, the students do not have enough credits to meet the pursuit of program requirements. The remaining student had not earned the cumulative grade point average required on Boricua's chart of satisfactory academic progress to maintain his/her TAP eligibility. Because the students had not received waivers, had not made up the deficiencies without additional State awards, or had not remained out of school for at least one year, they were not eligible to receive the TAP awards.

School Officials' Position - School officials disagree with the disallowances for the seven students who had not met the pursuit of program requirements. They contend that it is the school's policy to allow a student to enroll in additional courses beyond the requirements of a distinct instructional model until the student has completed the requirements for the other four distinct models. School officials agree with the disallowance for the remaining student.

Auditors' Comment - SED did not provide us with a written response to the findings contained in this report. However, the criteria applied in this audit is the same criteria that SED has affirmed in writing to us many times for other TAP audits.

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 for a semester of not less than 15 weeks or its equivalent. In addition, 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. Further, SED's Memorandum No. 86-17 to Chief Executive Officers 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. 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 ten awards (four awards from our statistical sample and six from outside the sample) that had been paid on behalf of nine students who did not meet the full-time requirement. Eight of these students had enrolled in courses that were not creditable toward the degree in which they were enrolled; therefore, they were not enrolled for a minimum of 12 semester hours creditable toward their degrees. The remaining student enrolled in a course for which she had received transfer credit. Discounting the transferred course, this student was enrolled in fewer than 12 credits for the term.

School Officials' Position - School officials disagree with these disallowances. They contend that the course selections, for the eight students who enrolled in courses not creditable to their degree, were consistent with the school's policy of allowing students to take additional courses in order to meet each term's full-time requirements. Regarding the ninth student, school officials contend that although three transfer credits were given, the student needed to repeat the course because the course was not originally taken in English.

Auditors' Comment - Our evaluation of these students' course work was consistent with Regulations and with Memorandum No 86-17. Further, the transfer credits in question for the ninth student were not deleted from the student's transcripts. Therefore, they are included when we determine the student's minimum course load for financial aid purposes.

Award Not Fully Credited to a Student's Account

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

Audit Determination - We partially disallowed one award that had not been fully credited to a student's account. Since Boricua did not distribute all of the funds so that the student could benefit from the TAP award, we are disallowing the undistributed portion of the award.

School Officials' Position - College officials indicated that a human error had been made by posting half of the student's total TAP award to the Bursar's ledgers. Officials further noted that the error has since been corrected and the proper amount was added to the student's account.

Auditors' Comment - College officials credited the full TAP award after we brought it to their attention. Conclusions made from the review of sample term TAP awards are representative of and are appropriately projected to the entire population from which the sampled awards were selected. Awards subsequently credited to a student's account are subtracted in determining the total audit disallowance.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$314,593 plus applicable interest from Boricua College for its incorrect TAP certifications.*
2. *Ensure that Boricua College officials comply with the Higher Education Service Corporation requirements relating to the crediting of TAP awards.*

Recommendation to the State Education Department

Ensure that Boricua 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, Tenneh Blamah, Mostafa Kamal and Bebe Belkin.

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

Very truly yours,

Kenrick Sifontes
Audit Manager

cc: Mr. Victor G. Alicea, Boricua College
Ms. Lisa Ng, Division of the Budget