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OFFICE OF THE STATE COMPTROLLER

August 6, 2009

Ms. Carole F. Huxley
Interim 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: Globe Institute of Technology
Report 2007-T-5

Dear Ms. Huxley and Mr. 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 Globe Institute of Technology (Globe) for the 2003-2004 through 2005-2006 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that Globe was overpaid \$1,563,144 because school officials incorrectly certified 23 students as eligible for 28 TAP awards. We tested the accuracy of the 8,363 TAP certifications the school awarded for the three-year period ended June 30, 2006, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed 24 awards totaling \$54,667. A statistical projection of these audit disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$1,554,765. We also disallowed 4 awards totaling \$8,379 based on our review of other awards, from outside the statistical sample period, for these students. These awards were not projected to the population. Therefore, we recommend that HESC recover a total of \$1,563,144 (\$1,554,765 and \$8,379) plus applicable interest, from Globe.

Background

On November 8, 1996, Globe Institute of Technology (Globe) received approval from the Board of Regents to operate as a two-year degree-granting institution. On April 8, 2000, Globe received Regents' approval to grant baccalaureate degrees. The institution is a private, for-profit, four-year college with its main campus at 500 7th Ave in New York City and an extension center located in Monsey, New York. Globe is a specialized institution of higher education accredited by the New York State Board of Regents offering baccalaureate, associate, and certificate programs in a number of programs. In the fall 2006 semester, more than 1,250 students were enrolled at Globe.

On June 19, 2007 the U.S. Department of Education denied Globe's application for renewal of participation in its HEA Title IV student aid programs, including the Pell Grant and Federal Family Educational Loan programs for violating a number of federal requirements. Beginning in the spring of 2007, the New York State Education Department (SED) raised questions about Globe's compliance with the Regents standards for institutional accreditation and the standards for program registration and off-campus instruction contained in the Commissioner's Regulations. On October 28, 2007, the former owners of Globe sold the corporation to 878 Education, LLC, a Delaware limited liability company. After this purchase, Globe regained eligibility for Title IV student aid programs and SED extended Globe's accreditation.

Today, Globe offers certificate and associate degree programs in business, the health professions, and the physical sciences, and baccalaureate programs in business, and the physical sciences. The tuition during the academic year 2008-09 was approximately \$5,475 per semester. Students are offered three 15 week semesters each academic year. Approximately 85 percent of Globe's students received some type of financial aid.

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 a copy of this report, in draft, to HESC, SED and Globe 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 Globe'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, Globe officials certified 8,363 TAP awards totaling \$18,731,646 that were paid on behalf of 3,459 undergraduate students during the three academic years that ended June 30, 2006. We reviewed a statistical sample of 200 awards totaling \$447,585 that were made to 196 undergraduate students during that period. We also reviewed other awards that came to our attention during the audit.

In planning and performing our audit of Globe, 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 claims for student financial aid.

Globe’s management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Globe’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 Globe’s overall compliance with such provisions. Our audit found that, for the transactions and records tested, Globe generally complied with these provisions, except as noted in the following sections of this report.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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. 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>Reason for Disallowance</u>	<u>Number of Awards</u>	<u>Amount</u>	<u>Total</u>
Disallowances from the Statistical Sample:			
Students Not Matriculated	19	\$43,642	
Students Not in Good Academic Standing	1	2,500	
Student Not in Full-Time Attendance	<u>4</u>	<u>8,525</u>	
Total Disallowances from the Sample Period	<u>24</u>	<u>\$54,667</u>	
Projected Amount			\$1,554,765

Disallowances from Outside the Statistical Sample Period:

Students Not Matriculated	<u>4</u>	<u>\$8,379</u>	
Total Disallowances from Outside the Sample Period	4	\$8,379	\$ <u>8,379</u>
Total Audit Disallowance			<u>\$1,563,144</u>

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

Students Not Matriculated

Criteria - Section 661 of the Education Law requires that students be matriculated in an approved program to be eligible for financial aid. It 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, referred to as an Ability-to-Benefit (ATB) test.

Globe requires applicants to submit evidence of high school graduation or its equivalent, or to demonstrate their ability to benefit from higher education by passing an ATB test. An "equivalent" generally means a Graduate Equivalency Diploma (GED) which is described in the Commissioner of Education's Rules and Regulations section 100.7 (a)(2)(iii) as amended in 1999 and in 2004. Regarding the ATB test, Globe administers two federally-approved ATB tests; the Combined English Language Skills Assessment (CELSA) test and the Compass test. Students not achieving a passing score on either exam would not qualify for TAP awards.

On October 11, 2002, SED issued Chief Executive Officers Memorandum (CEO) No. 6 which addresses issues related to high school completion. SED agreed to accept affidavits provided that institutions assure that affidavits are obtained at the time of admission and are signed by the student, dated, and notarized. According to CEO No. 6, affidavits will be acceptable (1) to substantiate attendance at foreign institutions when there is documented evidence that an effort was made to obtain a credential but extenuating circumstances prevented access, and (2) when circumstances such as a natural disaster, fire, or closing of a school prevent access to high school records.

To be eligible for admission to a New York State college a student that graduates from a high school in the Caribbean country of Guyana also needs to have passed either the Caribbean Examinations Council (CXC) examination or the General Certificate of Education (GCE) "O" Level examination.

Audit Determination - We disallowed 23 awards (19 from our statistical sample period and 4 from outside the period) that were paid on behalf of 18 students who were not properly matriculated. Additional details are given below:

- Two students did not provide valid proof of completing high school, did not have a GED, or did not pass an ATB test.
- Fifteen students provided affidavits stating that they graduated from high school. However, Globe officials did not provide us with any evidence that shows that the officials made an effort to obtain the students' high school credentials at the time students were admitted.
- One student did not show proof of having taken or passed either a CXC, or a GCE exam. Since the student attended high school in Guyana, proof of passing one or the other of these exams is required for admission to a New York State college.

School Officials' Position

- For one of these students, school officials responded that they are working to obtain copies of the student's credentials from the educational institution the student attended prior to Globe. For the other student, school officials responded that they are continuing to review the records for this student.
- School officials believe that affidavits provided by students upon admission to Globe and letters sent by Globe officials in response to our audit attempting to obtain student's high school credentials after students were admitted, satisfy the requirements of CEO No. 6.
- School officials agree that for admission to a New York State college, students attending high school in Guyana must show proof of having taken and passed either a CXC, or a GCE exam. However, school officials believe it is inappropriate to extrapolate this finding to the entire audit population since only a small number of students from Caribbean countries seek admission to Globe.

Auditors' Comments - School officials have not provided any proof that would alter our conclusions. Concerning the fifteen students that were admitted based upon affidavits, according to CEO No. 6 affidavits confirming high school completion were no longer acceptable after October 2002 without documented evidence that an effort was made to obtain the high school credentials. Since the students we identified were admitted after October 2002 and Globe officials did not attempt to obtain the high school credentials when the students were admitted to Globe, the affidavits are not acceptable and the students are not eligible for their awards.

Students Not in Good Academic Standing

Criteria - Section 665 of the New York State Education Law (Law) requires that students be in good academic standing to qualify 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.

A student who fails to maintain good academic standing loses subsequent TAP eligibility. However, good academic standing can be regained if the deficiencies are made up at the student's own expense, a one-time TAP waiver is obtained, the student remains out of school for at least one calendar year, or transfers to another institution.

Audit Determination - We disallowed one award from our statistical sample period paid on behalf of a student who did not maintain good academic standing. This student failed to complete six credits applicable to the student's program during the prior semester, as required by the chart of satisfactory academic progress.

School Officials' Position - School officials contend that the student earned a total of six credits for two non-remedial courses completed during the Spring 2005 semester. Therefore, the student was eligible for a subsequent TAP award.

Auditors' Comments - The transcript provided by school officials shows that the student only earned a total of four credits for the Spring 2005 semester. Since the student was required to earn six credits in this semester, the student was not eligible for the subsequent TAP award.

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires that students be in full-time attendance to be eligible for 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 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."

According to Chapter 3 of the HESC Manual, remedial courses may be counted toward full-time study requirements. However, during the first term of college-level study a student must take at least three hours of non-remedial credit-bearing courses. For subsequent semesters the student is required to take at least six hours of non-remedial credit-bearing courses.

Audit Determination - We disallowed four awards from our statistical sample period paid on behalf of four students that did not meet the full-time requirement. Additional details are given below:

- Two students were required to take three non-remedial credits during their first semester at Globe.
- Two students previously received TAP at another school and were required to take six non-remedial credits their first semester at Globe. Since these students did not take the required number of non-remedial credits, they were not eligible for their awards.

School Officials' Position -

- For one of these students, school officials responded that they are continuing to review the records for this student. School officials agree with the finding for the other student.
- For one of these students, school officials responded that they are continuing to review the records for this student. For the other student, school officials contend that this student did not receive a TAP award at another school prior to attending Globe and therefore, was only required to take three non-remedial credits during the first semester at Globe.

Auditors' Comments - Although HESC records show that the student did receive a TAP award prior to attending Globe, the regulations do not require that the student receive TAP at the previous school. The regulations require that for subsequent semesters of college-level study a student must take at least six hours of non-remedial credit-bearing courses. Since the student only took three hours of non-remedial credit-bearing courses the first semester at Globe the student was not eligible for their TAP award.

Recommendation to the Higher Education Services Corporation

Recover the \$1,563,144 plus applicable interest from Globe Institute of Technology for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that Globe officials comply with the State Education Department requirements relating to matriculation, good academic standing and full-time attendance.

Major contributors to this report were Dennis Buckley, Harry Maher, Danielle Marciano and Brenda Maynard.

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

Very truly yours,

Steven E. Sossei
Audit Director

cc: Martin Oliner, Globe Institute of Technology
Tom Lukacs, Division of the Budget