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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 10, 1997

Mr. Carl T. Hayden
Chancellor
University of the State of New York
State Education Building
Albany, NY 12234

Re: Court Reporting Institute
Tuition Reimbursement Payments
Report 97-S-2

Dear Mr. Hayden:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we audited selected records and procedures used to determine refunds made by the State Education Department's (Department) Tuition Reimbursement Fund (TRF) on behalf of 19 former students of Court Reporting Institute (CRI). We performed this audit because our office received a complaint which questioned whether these refunds should have been made.

Summary Conclusions

We determined that these TRF refunds, totaling \$263,130, were generally made for appropriate expenses (such as tuition, fees and other required costs) according to the terms of Section 5007 of the Education Law (Law). However, for eight students, the Department paid lending agencies for student loan balances that included loans for other schools in addition to CRI. These overpayments to the lending agencies totaled \$26,027.

Background

Article 101 of the Law establishes requirements for private trade and correspondence schools in New York State. Article 101, Section 5007 established the TRF to provide financial relief to students who attended licensed trade or registered business schools that either closed prior to completion of their programs or violated any provision of Article 101 of the Law. Section 5007, as amended in 1993, allows students a full refund of all tuition, fees and other required costs paid by the students when a school closes before a student completes the program or the school commits other violations.

Nineteen former students of CRI, a school which is still in operation, filed claims for refunds from the TRF with the Department's Bureau of Proprietary School Supervision (Bureau). These students claimed that various practices at CRI violated sections of Article 101 of the Law, particularly in relation to CRI's advertising for prospective students. Students claimed that CRI offered a program that they could complete within a specified time period. However, few students finished the program within the time period cited by CRI in its information to prospective students. Bureau officials reviewed these claims and found that CRI was in violation of this Article. As a result, the Department paid \$263,130 from the TRF on behalf of these students to reimburse student loans, to refund TAP and Pell monies and to reimburse the students themselves for the money they had paid to CRI.

Audit Scope

Our audit was limited to the refunds made on behalf of the 19 students who filed claims against CRI. These refunds were the subject of a complaint letter received by our office, which alleged that TRF funds were refunded for inappropriate loans and expenses.

Our objective was to review the Bureau's refund processing procedures and determine whether the TRF refunds made to these 19 former CRI students were made according to Section 5007 of the Law. To accomplish our objective, we reviewed documentation from Bureau officials supporting the amounts refunded to the loan servicing agencies, the students and State and Federal government officials. This documentation included copies of student financial records from CRI, records from loan servicing agencies regarding balances due for outstanding loans, and various other documents supporting student payments to CRI. We also contacted the staff from the loan servicing agencies and officials from CRI.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess the Bureau's refund procedures that we included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting 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.

The Bureau's management is responsible for complying with the Law as related to refunds made from the TRF. In connection with our audit, we did tests of the Bureau's compliance with certain provisions of the Law. Our objective in doing these tests was to obtain reasonable assurance that the refunds processed were appropriate and in accordance with the Law.

Response of SED Officials

We provided draft copies of this report to SED officials for their review and formal comments. We have considered their comments in preparing this report and have included them as Appendix A.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education shall report to the Governor, the State Comptroller, and the leaders of the Legislature and its fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Results of Audit

We determined that, for these 19 students, the Bureau made refunds for expenses that were appropriate according to the Law. However, for eight of these students, the Bureau refunded loan servicing agencies not only for CRI loans, but also for loans for other schools. As a result, the Bureau overpaid these agencies \$26,027. We recommended that Bureau officials collect these overpayments from the loan servicing agencies and establish additional controls to prevent such overpayments in the future.

We found that Bureau officials sent letters to the student loan servicing agencies requesting loan balances due specifically for CRI. However, in their responses, these agencies provided Bureau officials with loan amounts which, for eight students, included balances for other schools in addition to CRI. Based on this inaccurate information, Bureau officials made excess TRF refunds to the agencies on behalf of these students. The following chart summarizes the results of our review of the loan balance payments the Bureau made to these agencies on behalf of the eight students. The students' names and other details have been provided to Bureau officials separately.

STUDENT NUMBER	CRI LOAN AMOUNT	TOTAL LOAN BALANCE REFUNDED	EXCESS LOAN AMOUNT REFUNDED
1	\$2,310.20	\$ 2,783.91	\$ 473.71
2	17,122.39	24,679.20	7,556.81
3	8,626.71	10,232.45	1,605.74
4	10,636.87	15,842.82	5,205.95
5	5,784.20	7,351.31	1,567.11
6	3,794.66	4,820.73	1,026.07
7	10,141.04	16,107.87	5,966.83
8	1,357.51	3,982.51	2,625.00
Total	\$59,773.58	\$85,800.80	\$26,027.22

Recommendations

1. *Contact the student loan servicing agencies to arrange for them to refund the TRF for overpayments made on behalf of these students.*
2. *Establish additional controls to ensure the accuracy of the information provided by student loan servicing agencies when calculating refunds from the TRF.*

Major contributors to this report were William Challice, Carmen Maldonado, Frank Russo, Kenneth I. Shulman, Mary Eileen Barret and Laura Smith.

We wish to express our appreciation to Department staff for their courtesies and cooperation during this audit.

Yours truly,

David R. Hancox
Audit Director

cc: Patricia A. Woodworth



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, N.Y. 12247

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May 5, 1997

David R. Hancox
Director of State & NYC Audits
Office of the State Comptroller
A.F. Smith State Office Building
Albany, New York 12236

Dear Mr. Hancox:

The New York State Education Department (NYSED) has received your draft audit report (No. 97-S-2) regarding an audit of selected records and procedures used to determine refunds made by NYSED's Tuition Reimbursement Fund on behalf of 19 former students of Court Reporting Institute (CRI).

The summary conclusion of the report states that the refunds totaling \$263,130 were generally made for appropriate expenses. However, the report also indicates that you found that eight students were issued overpayments totaling \$26,027. You concluded that these payments were made to lending agencies for student loan balances that included loans for other schools in addition to CRI.

The audit report accurately reflects the fact that the Bureau of Proprietary School Supervision (BPSS) properly followed procedures for determining refund amounts by collecting the data in writing directly from each student's lending institution. For eight students, however, your audit concludes that the information issued by the loan servicing agencies and relied upon by BPSS was inaccurate. Despite BPSS's efforts to obtain the most accurate refund data available by acquiring the information directly from the lenders, in eight cases information received directly from the institutions was unreliable.

In response to each of the recommendations set forth in the report, NYSED replies as follows:

1. Contact the student loan servicing agencies to arrange for them to refund the TRF for overpayments made on behalf of these students.

We agree with the recommendation. BPSS will contact each of the lending institutions that provided erroneous information and urge them to reevaluate their own records and related system for accuracy and reimburse the TRF accordingly.

2. Establish additional controls to ensure the accuracy of the information provided by student loan servicing agencies when calculating refunds from the TRF.

We agree with the recommendation. BPSS policy is to rely on the best source information when accessing student loan information. Data maintained by the lending institutions themselves have usually been found to be the most reliable. However, based on this report, BPSS will establish additional procedures to properly evaluate the accuracy of the information provided.

Please let me know if you have any further questions or concerns.

Sincerely,



Richard H. Cate