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STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

September 26, 1997

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

Mr. Robert J. Maurer  
President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, NY 12255

Re: Westchester Business Institute  
Report 97-T-1

Dear Mr. Mills and Mr. Maurer:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 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 Westchester Business Institute (WBI) for the 1993-94 through 1995-96 academic years.

**Summary Conclusions**

In accordance with Section 665(3)(b) of the Education Law, we have determined that WBI was overpaid \$45,260 because school officials incorrectly certified some students as eligible for TAP awards. From our statistical sample, we disallowed five awards totaling \$5,170. A statistical projection of our audit disallowances to the entire population results in an audit disallowance of \$31,878. We also disallowed twelve awards totaling \$13,382 based on our review of other awards from outside the sample period. We recommend that HESC recover this \$45,260 plus applicable interest from WBI.

Additionally, we identified an instance where, in WBI's response, their attorney attached a document as an exhibit which is different from the one provided during the audit. According to Section 665 of the Education Law, we are reporting separately on this matter to the State Attorney General's Office.

## **Background**

WBI, located in White Plains, New York, is a two-year degree granting college. WBI is authorized to grant Associate in Occupational Studies (AOS) degrees and diplomas in fields including Secretarial, Business Administration and Computer Programming. All of the programs offered at WBI are approved by the State Education Department (SED) as TAP eligible programs.

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 programs.

A draft copy of this report was provided to SED, HESC and WBI officials for their review and comment. HESC agreed with our findings. SED agreed with most of our findings and recommended that we reconsider one disallowance. WBI officials disagreed with disallowances for several students. We have considered their comments and made certain adjustments in preparing this final audit report.

## **Audit Scope**

The objective of our financial and compliance audit was to determine whether WBI's management complied with appropriate laws, rules and regulations for certifying students as eligible for TAP awards. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

According to HESC's records, WBI certified 1,946 students for 6,034 TAP awards totaling \$6,565,305 during the 1993-94 through 1995-96 academic years. We selected and reviewed a statistical sample of 200 awards totaling \$211,134 paid on behalf of 192 students during that period. In addition, we performed a limited review of HESC's records for the 1991-92 and 1992-93 academic years to detect certain errors or inconsistencies in WBI's certifications of student eligibility for TAP. We also reviewed other awards that came to our attention during the audit.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of WBI which are included within our audit scope. These standards also require that we review and report on WBI's internal control system and its compliance with those laws, rules and regulations that are relevant to WBI's operations that are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting records and includes applying such other auditing procedures 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 doing our audit of WBI, we reviewed management's internal control system. Our audit was limited to a preliminary review of the internal control system to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for student financial aid.

WBI's management is responsible for complying with the Education Law (Law) and Commissioner of Education's Rules and Regulations (Regulations). In connection with our audit, we did tests of WBI's compliance with certain provisions of the Law and Regulations. Our objective in doing these tests was to obtain reasonable assurance that the amount received by WBI for TAP was allowable; it was not to provide an opinion on WBI's overall compliance with such provisions.

The results of our audit indicated that for the transactions and records tested, WBI complied, in all material respects, with the provisions referred to in the preceding paragraph, except as noted in the following sections of the report.

**Audit Disallowances**

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

<b><u>Reason for Disallowance</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>	<b><u>Total</u></b>
<b>Disallowances from Statistical Sample:</b>			
Students Not in Full-Time Attendance	2	\$2,875	
Students Not in Good Academic Standing	2	2,052	
TAP Not Refunded to HESC	<u>1</u>	<u>243</u>	
Total Sample Disallowance	<u>5</u>	<u>\$5,170</u>	
Projected Amount			\$31,878
<b>Disallowances from Outside the Statistical Sample:</b>			
Students Not in Good Academic Standing	10	\$9,765	
Students Not Meeting Residency Requirement	<u>2</u>	<u>3,617</u>	
Total Disallowances from Outside the Sample	<u>12</u>		<u>13,382</u>
Total Audit Disallowance			<u>\$45,260</u>

The various types of disallowances are discussed in the following sections of this report. Details of the statistical projection, students' names and related information were provided to WBI separately.

**Students Not in Full-Time Attendance**

*Criteria* - Section 661 of the Law states that a student must be in full-time attendance, as defined by the Commissioner of Education, to be eligible for financial aid awards. Full-time study is defined as enrollment for at least 12 semester hours for a semester of 15 weeks or more. Also, SED's Chief Executive Officer's Bulletin No. 86-17 states that if a student repeats a course in which a passing grade was already achieved, the course cannot count as part of the student's minimum full-time course load for financial aid purposes.

*Audit Determination* - We identified two awards from our statistical sample paid on behalf of students who did not maintain full-time status. One student was enrolled in courses earning only six credits, which are not enough credits to maintain TAP eligibility. The other student received a TAP award but was not in attendance at WBI during the term the award was paid.

*School Officials' Position* - WBI officials agreed with these disallowances.

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

**Criteria** - Section 665 of the Law requires that students remain in good academic standing to maintain eligibility for State financial assistance. Section 145-2.2 of the Regulations states that to remain in good academic standing a student must (1) maintain satisfactory academic progress towards completion of a program and (2) pursue the program of study in which he or she is enrolled.

To maintain satisfactory academic progress, a student must have accrued at least a certain number of credits and earned at least a certain cumulative grade point average as required in the college's published Satisfactory Academic Progress chart 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.

When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. A student may regain such standing by obtaining a one-time TAP waiver, making up the deficiency without benefit of State support or remaining out of school for one calendar year.

**Audit Determination** - We identified two awards in our statistical sample and ten awards outside our sample period paid on behalf of students who failed to maintain good academic standing and therefore were not eligible to receive these awards.

Five awards were paid to students who did not maintain satisfactory academic progress. These students did not earn the required number of credits and or attain the required grade point average to maintain eligibility for the awards they received. The remaining seven awards were paid to students who did not meet the pursuit of program requirement. These students did not complete the required number of credits for their TAP payment level. Because these students did not regain good academic standing without the use of State aid, we disallowed subsequent TAP awards paid for one calendar year for these students.

Additionally, we found six students in our statistical sample who had lost good academic standing and received one-time TAP waivers. However, WBI officials did not notify HESC of these waivers, as required, to ensure that the students receive only one TAP waiver.

**School Officials' Position** - WBI officials disagreed with six of the awards we disallowed. For four of these awards, officials believe that the students regained good academic standing after one award was disallowed, and were eligible for subsequent awards. For the other two awards, WBI officials provided copies of TAP waivers for the two students. Officials stated that the reasons provided by the students were acceptable causes for TAP waivers. Therefore, these students are eligible for these awards.

Auditor's Comments - For the four awards, SED's guidelines state that "Following a determination that the recipient of an award has lost good academic standing, further payments under the award shall be suspended until the student is restored to good academic standing." SED and HESC have agreed that a student cannot regain good academic standing through the disallowance of an award. To regain good academic standing, a student must either obtain a one-time TAP waiver, make up the deficiency without the benefit of State support or remain out of school for one calendar year.

For the two awards where WBI officials indicate waivers were granted, we concluded that these waivers were not valid as follows:

- One waiver dated September 10, 1993 (submitted by WBI with its response to the draft report) was granted because the student's lack of progress was due to her absence from too many classes related to her observance of religious holidays. However, religious holidays are not extraordinary and uncontrollable circumstances. Furthermore, this waiver which was needed for the Fall 1993 term was not provided to us until August 1997, and has not been reported to HESC.
- WBI submitted with its response to the draft report, a different waiver than the one provided to us during the audit. The copy shown on the next page is the waiver we obtained while on-site at WBI. This waiver shows that it was issued for the term beginning July 5, 1994, the beginning of the summer term as published in WBI's catalog.

THE WESTCHESTER BUSINESS INSTITUTE  
CHANGE IN APPLICATION OF MATRICULATION STATUS

NAME: Zamo, Ronu TODAY'S DATE 7/29/94  
Last First

STARTING DATE: 10/93 PGM: CSM  DAY  WEEKEND  
MO. YR.  EVE M/W  EVE T/TH

SOCIAL SECURITY NUMBER 589 - 54 - 3814

TRANSFERRED TO :  DAY  EVE M/W  EVE T/TH  WEEKEND

EFFECTIVE DATE 1 / 1 / 1 COMMENTS: \_\_\_\_\_  
MO. YR.

PROGRAM CHANGE TO: \_\_\_\_\_ EFFECTIVE DATE: 1 / 1 / 1  
MO. YR.

COMMENTS: \_\_\_\_\_

CREDITS ACCEPTED IN TRANSFER: \_\_\_\_\_ COLLEGE: \_\_\_\_\_

CHANGE IN ADOPC FROM \_\_\_\_\_ TO \_\_\_\_\_

CHANGE IN ADDRESS/NAME/PHONE NUMBER: \_\_\_\_\_

WAIVER ISSUED FOR QTR/TERM BEGINNING: 7/5/94  
 Approved  Denied

LAST DATE OF ATTENDANCE: \_\_\_\_\_  
BY:  END OF QTR/SEM  STUDENT NOTIFICATION  COLLEGE ACTION

- |   |                                       |
|---|---------------------------------------|
| <input type="checkbox"/> COMPLETED DID NOT GRADUATE             | REASONS:                              |
| <input type="checkbox"/> GRADUATED                              | <input type="checkbox"/> WORK RELATED |
| <input type="checkbox"/> SUSPENDED PENDING FINANCIAL CLEARANCE  | <input type="checkbox"/> PERSONAL     |
| <input type="checkbox"/> SUSPENDED PENDING ACADEMIC CLEARANCE   | <input type="checkbox"/> MEDICAL      |
| <input type="checkbox"/> FINANCIALLY CLEAR BY _____ DATE _____  | <input type="checkbox"/> LOW G.P.A.   |
| <input type="checkbox"/> ACADEMICALLY CLEAR BY _____ DATE _____ | <input type="checkbox"/> ABSENCES     |
| <input type="checkbox"/> WITHDREW (SEE REASON)                  | <input type="checkbox"/> CONDUCT      |
| <input type="checkbox"/> DISMISSED (SEE REASON)                 | _____                                 |
| <input type="checkbox"/> LEAVE OF ABSENCE FROM _____ TO _____   | _____                                 |
|   | <input type="checkbox"/> OTHER        |

COS DATED: 7/29/94 BY: ZL  
INITIATED BY: ZL DATE: 7/29/94  
APPROVED BY: ZL DATE: 7/29/94  
POSTED BY: Jules DATE: 8/3/94

cc: Karen J. Smith

However, the copy of this student's waiver included in WBI's response to the draft report now shows that the waiver was issued for the term beginning April 5, 1994. However, the Spring term began on April 4, 1994. As shown on the next page, the month on the date was changed while all the other information on the waiver as well as the handwriting appears to be the same as the copy we received during the audit. Based on the altered record, we are referring this matter separately to the State Attorney General's Office.

CHANGE IN APPLICATION OF MATRICULATION STATUS

NAME: James, Ronu TODAY'S DATE 7/29/94  
Last First

STARTING DATE: 10/93 PGM: CSM  DAY  WEEKEND  
MO. YR.  EVE M/W  EVE T/TH

SOCIAL SECURITY NUMBER 589 - 54 - 3814

TRANSFERRED TO:  DAY  EVE M/W  EVE T/TH  WEEKEND

EFFECTIVE DATE 1 COMMENTS: \_\_\_\_\_  
MO. YR.

PROGRAM CHANGE TO: \_\_\_\_\_ EFFECTIVE DATE: 1  
MO. YR.

COMMENTS: \_\_\_\_\_

CREDITS ACCEPTED IN TRANSFER: \_\_\_\_\_ COLLEGE: \_\_\_\_\_

CHANGE IN ADOPC FROM \_\_\_\_\_ TO \_\_\_\_\_

CHANGE IN ADDRESS/NAME/PHONE NUMBER: \_\_\_\_\_

WAIVER ISSUED FOR QTR/TERM BEGINNING: 4/5/94  
 Approved  Denied

LAST DATE OF ATTENDANCE:  
BY:  END OF QTR/SEM  STUDENT NOTIFICATION  COLLEGE ACTION

- |   |                                       |
|---|---------------------------------------|
| <input type="checkbox"/> COMPLETED DID NOT GRADUATE             | REASONS:                              |
| <input type="checkbox"/> GRADUATED                              | <input type="checkbox"/> WORK RELATED |
| <input type="checkbox"/> SUSPENDED PENDING FINANCIAL CLEARANCE  | <input type="checkbox"/> PERSONAL     |
| <input type="checkbox"/> SUSPENDED PENDING ACADEMIC CLEARANCE   | <input type="checkbox"/> MEDICAL      |
| <input type="checkbox"/> FINANCIALLY CLEAR BY _____ DATE _____  | <input type="checkbox"/> LOW G.P.A.   |
| <input type="checkbox"/> ACADEMICALLY CLEAR BY _____ DATE _____ | <input type="checkbox"/> ABSENCES     |
| <input type="checkbox"/> WITHDREW (SEE REASON)                  | <input type="checkbox"/> CONDUCT      |
| <input type="checkbox"/> DISMISSED (SEE REASON)                 | _____                                 |
| <input type="checkbox"/> LEAVE OF ABSENCE FROM _____ TO _____   | _____                                 |
|   | <input type="checkbox"/> OTHER        |

COS DATED: 7/29/94 BY: TL

INITIATED BY: TL DATE: 7/29/94

APPROVED BY: [Signature] DATE: 7/29/94

POSTED BY: [Signature] DATE: 8/3/94

CC: Karen J. Smith

### **TAP Not Refunded to HESC**

**Criteria** - Section 667 of the Law provides that the amount of the TAP award is based, in part, on the tuition charged.

**Audit Determination** - We identified one award from our statistical sample paid to a student whose tuition was reduced by 70 percent by WBI officials. However, WBI officials did not report the reduced tuition to HESC. We requested HESC staff to recalculate the student's TAP award based upon the reduced tuition, and found that WBI was overpaid \$243 on behalf of this student.

**School Officials' Position** - WBI officials stated that they reduced the student's TAP award based on a recalculation of the student's tuition liability. However, they stated that HESC's remittance advice did not indicate that HESC made the corresponding recalculation. Therefore, WBI officials feel that they should not be required to repay these funds.

**Auditor's Comments** - According to officials at HESC, WBI files its TAP certifications electronically. Therefore, any changes affecting a student's tuition are the responsibility of WBI to enter directly onto computer tapes it sends to HESC. HESC's computer automatically adjusts the student's TAP award. However, WBI staff only entered the TAP certification code for the student's eligibility status. WBI staff did not enter the student's adjusted tuition amount. Therefore, HESC's computer would not adjust the student's TAP award to reflect the reduced tuition.

### **Students Not Meeting Residency Requirement**

**Criteria** - Section 661 of the Law states "...an applicant for an award at the undergraduate level of study must...have been a legal resident of the state for at least one year immediately preceding the beginning of the semester, quarter or term of attendance for which application for assistance is made...."

HESC's Manual on Programs and Procedures stipulates that institutions should not certify eligibility for State awards for any student whose New York State residence is suspect.

**Audit Determination** - We found that WBI officials certified two awards outside our sample period for two students who did not meet the residency requirement. Documents within the students' academic and financial folders indicated that these students were not legal residents of New York for one year prior to receiving TAP at WBI.

**School Officials' Position** - WBI officials did not respond to these award disallowances.

**Recommendations to the Higher Education Services Corporation**

1. *Recover \$45,260, plus applicable interest, from WBI for its incorrect TAP certifications.*
2. *Ensure WBI reports its one-time TAP waivers on a timely basis.*

**Recommendation to the State Education Department**

*Ensure that WBI is in compliance with the Commissioner's Regulations and SED guidelines cited in this report.*

Major contributors to this report were William Challice, David R. Hancox, Frank Russo, Kenneth I. Shulman, Mary Eileen Barret, Laura Smith, Lu Pham and Don Collins.

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

Yours truly,

Carmen Maldonado  
Audit Director

cc: Patricia A. Woodworth  
Karen J. Smith