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OFFICE OF THE STATE COMPTROLLER

May 30, 2003

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

Mr. Pierre L. Alric
Acting President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: Rochester Institute of Technology
Report 2002-T-4

Dear Mr. Mills and Mr. Alric:

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 Rochester Institute of Technology (RIT) for the 1998-99 through 2000-01 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the New York State Education Law (Law), we determined that RIT was overpaid \$87,200 because school officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 23,617 TAP certifications RIT awarded for the three-year period that ended on June 30, 2001, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed six awards totaling \$3,518. 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 \$71,899. We also disallowed 15 awards totaling \$15,301 based on our review of other awards from outside the statistical sample period. Therefore, we recommend that HESC recover a total of \$87,200 plus applicable interest from RIT.

Background

RIT is a private degree-granting university located in Rochester, New York. RIT offers more than 200 certificate, diploma, and undergraduate and graduate degree programs in its eight colleges: Liberal Arts, Science, Applied Science and Technology, Business, Imaging Arts and Sciences, Computing and Information Systems, Engineering, and National Institute for the Deaf. The New York State Education Department (SED) has approved the majority of RIT's programs, including all of its undergraduate degree programs, for TAP 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 SED, HESC, and RIT 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 financial and compliance audit was to determine whether RIT'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 reviews of the process HESC follows in determining the amount of such awards.

According to HESC records, RIT officials certified 23,617 TAP awards totaling \$18,184,266 on behalf of 5,802 students during the three academic years that ended on June 30, 2001. We reviewed a statistical sample of 200 randomly-selected TAP awards totaling \$144,242 that were made to 195 students during that period. We also reviewed other awards that came to our attention during the audit.

We conducted our audit according to generally accepted government auditing standards. Such standards require us to plan and perform our audit to adequately assess those operations of RIT that are included within our audit scope. These standards also require that we review and report on RIT's internal control system and its compliance with those laws, rules, and regulations that are relevant to RIT'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 RIT, 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 accounting system and other systems supporting the claims for student financial aid.

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

Our audit showed that, for the transactions and records tested, RIT was generally in compliance with these provisions, except as noted in the following sections of this report.

Audit Disallowances

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 in Good Academic Standing | 3 | \$2,809 | |
| Students Not in Full-Time Attendance | <u>3</u> | <u>709</u> | |
| Total Disallowances from the Statistical Sample | <u>6</u> | <u>\$3,518</u> | |
| Projected Amount | | | \$71,899 |
| Disallowances from Outside the Statistical Sample Period: | | | |
| Students Not in Good Academic Standing | 9 | \$ 8,956 | |
| Students Not in Full-Time Attendance | <u>11</u> | <u>11,265</u> | |
| Total Disallowances from Outside the Sample | 20 | 20,221 | |
| Less: Disallowances for More Than One Reason | <u>5</u> | <u>4,920</u> | |
| Net Disallowances from Outside the Sample | <u>15</u> | | <u>15,301</u> |
| Total Audit Disallowances | <u>21</u> | | <u>\$87,200</u> |

Details of the students' names and related information were provided separately to RIT officials. The reasons for the disallowances are discussed on the following pages.

Students Not in Good Academic Standing

Criteria - Section 665 of the Law requires students to be in good academic standing to be eligible 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, he/she 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. SED's Memorandum to Chief Executive Officers (CEO) No. 86-17 states that a course in which an acceptable grade has already been earned cannot be considered in determining whether a student has met the pursuit of program requirement.

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

Audit Determination - We disallowed 12 awards (3 from our statistical sample period and 9 from outside the period) that had been paid on behalf of nine students who failed to maintain good academic standing. Seven of these students received awards in terms after failing to be in pursuit of their approved program of study. They did not earn passing or failing grades in the appropriate percentage of the minimum full-time course load required to qualify for TAP because they repeated courses they had previously passed, withdrew from courses, and/or took courses not required for their programs of study. Another student did not earn enough cumulative credits and/or earn the cumulative grade point average required on the school's chart of satisfactory academic progress to maintain her TAP eligibility. The remaining student failed to meet the requirements relating to both pursuit of program and satisfactory academic progress.

School Officials' Position - RIT officials did not dispute these findings.

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires students to be in full-time attendance to be eligible for their TAP awards. Section 145-2.1 of the Regulations defines full-time study for a quarter-based academic calendar program at a degree-granting school as enrollment for at least eight semester hours per quarter. CEO No. 86-17 requires that a student's minimum course load be creditable toward the degree in which he or she is enrolled. It 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 or part-time course load for financial aid purposes.

Audit Determination - We disallowed 14 awards (3 from our statistical sample period and 11 from outside the period) that had been paid on behalf of 9 students who did not maintain full-time status. Seven of the students received awards in terms where they repeated courses they had previously passed. The other two students received awards in terms where they enrolled in course work not applicable to their degree programs.

School Officials' Position - RIT officials did not dispute these findings.

Other Matter Needing Attention

The following finding does not result in an audit disallowance. It pertains to controls that RIT officials need to address.

Accuracy of Transcripts

Criteria - Section 52.2(e) of the Regulations requires schools to maintain for each student a permanent, complete, accurate and up-to-date transcript of student achievement at the institution. This document will be the official cumulative record of the student's cumulative achievement.

Audit Determination - We identified five students whose transcripts show duplicate credits earned for a single course. Four of the students each repeated a course in which a passing grade acceptable to the institution had previously been received. RIT incorrectly included the duplicate credits and associated quality points in the calculation of these students' cumulative grade point averages. The remaining student completed a course for which he/she had previously received advanced placement credit. In this case, there is no effect on the student's grade point average.

School Officials' Position - RIT officials did not respond to this issue.

Recommendation to the Higher Education Services Corporation

Recover the \$87,200 plus applicable interest from the Rochester Institute of Technology for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that Rochester Institute of Technology officials comply with the State Education Department requirements relating to good academic standing, full-time attendance, and accuracy of transcripts cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Maureen Costello, David Pleeter, and Dana Newhouse.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Albert J. Simone, President
Carole E. Stone
Deirdre A. Taylor