

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 15, 2004

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

Mr. Michael R. Wilton, Jr.
President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: Gamla College
Report 2001-T-2

Dear Messrs. Mills and Wilton:

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 Gamla College (Gamla) for the 1997-98 through 1999-2000 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3) (b) of the New York State Education Law (Law), we determined that Gamla was overpaid \$968,311, because college officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 1,398 TAP certifications Gamla awarded for the three-year period that ended on June 30, 2000, by reviewing a statistical sample of 150 randomly-selected awards. From our statistical sample, we disallowed 63 awards totaling \$116,313. 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 \$917,679. We also disallowed 27 awards totaling \$52,144, based on our review of other awards from outside the statistical sample period. Gamla officials subsequently decertified one disallowed award for \$1,512. Therefore, we recommend that HESC recover a net total of \$968,311, plus applicable interest, from Gamla.

Background

Gamla, a degree-granting, two-year institution of higher education located in Brooklyn, New York City, was founded in December 1996. On December 20, 1996, the New York State Board of Regents granted Gamla a charter to award the Associate in Science (A.S.) degree. The New York State Education Department (SED) registered Gamla's single 64-credit A.S. degree program in Judaic Studies on January 1, 1997, and approved it 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.

SED's Office of College and University Evaluation conducted a site visit to Gamla College on March 29 and 30, 2000 to assess the college's compliance with the Law and the Regulations of the Commissioner of Education (Regulations). In its March 2, 2001 report on the site visit, SED expressed serious concerns about Gamla's compliance with the Regulations. Moreover, SED reported that Gamla was offering an unregistered program since college officials had made a substantial change in the content and design of the program that SED had approved in January 1997 (see Students Not in Full-Time Attendance section below). SED added that students' eligibility for financial aid was in jeopardy as a result of their pursuing an unapproved program. SED instructed Gamla to either submit proof that SED had approved a change to the curriculum or cease offering the unregistered curriculum until approval is sought and received.

The site report noted that SED had, in a February 18, 1998 letter to the college's Provost, cautioned Gamla officials not to modify the registered curriculum without prior review and approval from SED.

On May 15, 2001, Gamla officials responded to the SED site visit report that the college's course offerings were consistent with the Regulations and were part of the curriculum that was registered with SED. However, college officials indicated that they would make an official request to SED for a revision to the college's curriculum.

On August 9, 2001, SED, in its final report on the site visit, again informed Gamla officials that the college was not offering the program as registered in January 1997 and that the college's plan to bring its program into compliance with the Regulations was not acceptable.

We provided draft copies of this audit report to SED, HESC, and Gamla officials for their review and comments. We have considered their comments, as well as those of Gamla's attorneys, in preparing this audit report.

Audit Scope, Objective, and Methodology

The objective of our performance audit was to determine whether Gamla's management complied with the Law and the 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, Gamla officials certified 1,398 TAP awards totaling \$2,605,684 paid on behalf of 647 students during the three academic years that ended on June 30, 2000. We reviewed a statistical sample of 150 awards totaling \$276,720 made to 140 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 Gamla that are included within our audit scope. These standards also require that we review and report on Gamla's internal control system and its compliance with those laws, rules, and regulations that are relevant to Gamla'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 Gamla, 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 that would support claims for student financial aid.

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

Our audit showed that, for the transactions and records tested, Gamla was generally not in compliance with these provisions, as noted in the subsequent 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 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 Full-Time Attendance	61	\$112,388	
Students Not in Good Academic Standing	<u>5</u>	<u>10,013</u>	
Total Disallowances from the Statistical Sample	66	122,401	
Less: Disallowances for More Than One Reason	<u>3</u>	<u>6,088</u>	
Net Disallowances from the Statistical Sample	<u>63</u>	<u>\$116,313</u>	
Projected Amount			\$917,679
Disallowances from Outside the Statistical Sample Period:			
Students Not in Full-Time Attendance	27	\$52,144	
Students Not in Good Academic Standing	<u>4</u>	<u>8,091</u>	
Total Disallowances from Outside the Sample	31	60,235	
Less: Disallowances for More Than One Reason	<u>4</u>	<u>8,091</u>	
Net Disallowances from Outside the Sample	<u>27</u>		<u>52,144</u>
Total Audit Disallowance			969,823
Less: Decertified Award			<u>1,512</u>
Net Audit Disallowance			<u>\$968,311</u>

The reasons for the disallowances are discussed below. Details of the students' names and related information were provided separately to Gamla officials.

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires that students be in full-time attendance and be matriculated in an approved program to be eligible for their TAP awards. Section 145-2.1 of the Regulations states, in part, that full-time study 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. According to SED's Chief Executive Officers Memorandum No. 86-17, "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."

Chapter II, Section 52.1(f) of the Regulations states that, "each course offered for credit by an institution shall be part of a registered curriculum offered by that institution, as a general education course, a major requirement, or an elective." In addition, Section 52.1(g) states that "each curriculum for which registration is required shall be registered before the institution may publicize its availability or recruit or enroll students in the curriculum." According to Section 52.1(h), "new registration shall be required for any existing curriculum in which major changes are made that affect its title, focus, design, requirements for completion, or mode of delivery."

Audit Determination - We disallowed 88 awards (61 awards from our statistical sample period and 27 from outside the period) paid on behalf of 75 students who did not meet the full-time

requirement. One student did not register for any courses during the semester (spring 1999). The remaining 74 students did not carry course loads of at least 12 semester hours that were applicable toward the requirements of the registered A.S. degree program in which they were enrolled. Rather, these students were pursuing a program that Gamla had modified without SED's approval.

The program registered and approved by SED contained a curriculum of 64 credits with a specified distribution of courses in the following disciplines: 2 courses (8 credits) in English; 8 courses (24 credits) in Judaic Studies; 2 courses (8 credits) in Community Internship; 3 credits in Sociology; 3 credits in Political Science; 3 credits in Music; 3 credits in Art; 3 credits in Psychology; 3 credits in History or Economics; 3 credits in Mathematics; and 3 credits in Biology. In contrast, the program offered by Gamla permitted students to take 24 credits in liberal arts/electives from a general list of disciplines with no specific course requirements, contrary to the registered program. In addition to the change of 24 credits, Gamla also offered other courses, such as Speech and Computers, that were not part of the approved program.

School Officials' Position - Gamla officials decertified the award for the student who had not registered for any courses, but disagreed with the 87 disallowances for the remaining 74 students. College officials assert that the school offered courses that were in the registered program as delineated in its Master Plan and that changes were made in accordance with their understanding of existing SED policy and practice. They further stated, in their opinion, all modifications to courses were based upon permission granted by SED, or were permitted by the SED document entitled "Changes in a Currently Registered Program," which allows schools to make 14 credits or less of course changes if they do not substantially alter the focus of the program. College officials assert that, as a result of SED's March 2000 site visit to Gamla, college officials were informed that its two Community Internship courses should be reduced from a total of 8 credits, to a total of 6 credits. College officials assert they then had to allow the students to take an additional course not in the approved Master Plan, to meet graduation requirements. College officials further contend that the substituted courses were offered because of their pedagogical value to the students. Officials noted for example, that a basic computer course was used to satisfy a math component, and the addition of the speech course strengthened the liberal arts program without changing the focus of the program. Moreover, college officials argued that many students individually did not deviate more than 14 credits from the approved program.

Auditors' Comments - In its February 21, 2003 response to the Comptroller's Office, SED agreed with the proposed disallowances described in the draft audit report. SED stated that the College's assertion that "all modifications to courses were based upon permission granted by SED, or were permitted by the SED document entitled 'Changes in a Currently Registered Program' which allows schools to make 14 credits or less of course changes if they do not substantially alter the focus of the program," is incorrect. SED concurred that when Gamla permitted the substitution of 24 credits of electives for 24 credits in the subjects specified in the approved Master Plan, they made a change of 24 - not 14 or fewer credits. SED further advised that Gamla College altered not only the program requirements but also the design of the program from one that is highly structured to one permitting students to select 24 credits of electives, and that SED did not approve these changes. In a separate communication, SED officials added that Gamla had not submitted the changes to SED for approval and students who had completed or were completing the revised program were not pursuing the approved program. Therefore,

courses that were not part of the approved program in which these students were enrolled were not used when determining compliance with the full-time requirement.

In a November 18, 2002 letter to Gamla's President, SED indicated that Gamla had asked SED to review the section of the Comptroller's draft audit report related to the disallowance for students who took a variety of courses outside of the registered program. SED responded to Gamla that the college did not require its students to complete a distribution of the liberal arts and sciences courses as approved in its registered program. SED advised that courses were not substituted on a consistent basis as a revision of the registered program, but on a student-by-student basis.

Further, in a November 19, 2003 letter SED advised the Comptroller's office that Speech and Computer courses were not part of the registered curriculum and could not, as Gamla officials believed, be substituted for English and Math, respectively. Moreover, SED advised that Computer Applications courses could not be considered liberal arts and sciences.

We also note that any course substitutions made for the two-credit reduction in Community Internship, occurred after SED's March 29-30, 2000 site visit. Since the scope period in which we projected our audit disallowances ended with the Spring 2000 semester, no sample term disallowances were mitigated by this course substitution.

Finally, these 74 students were not in matriculated status since Section 145-2.4(c) of the Regulations states, "a student shall be considered matriculated only if the courses pursued by the student are fully recognized at that time as contributing towards fulfillment by the student of the requirements for completion of the program." Students who registered for fewer than 12 credits in accordance with the SED-approved program were neither in full-time nor matriculated status and therefore, were not TAP eligible during that semester.

Students Not in Good Academic Standing

Criteria - Section 665 of the Law requires that students be in good academic standing to be eligible for TAP awards. To maintain good academic 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 college 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 TAP eligibility.

Audit Determination - We disallowed nine awards (five awards from our statistical sample period and four from outside the period) paid on behalf of nine students who did not maintain good academic standing consistent with the SED-approved program. These students did not earn passing or failing grades in enough courses creditable toward their degree (in accordance with the SED-approved program) to meet the pursuit of program requirements. One of the nine

students also did not accrue the amount of credits required on the school's chart of satisfactory academic progress to maintain TAP eligibility.

School Officials' Position - Gamla officials disagree with these disallowances. They maintain that the changes made to the college's registered program were either approved or did not need to be approved by the SED.

Auditors' Comments - Gamla changed its registered program without SED's approval. SED officials advised us that the changes were significant and required their approval. Students who did not earn passing or failing grades in enough courses creditable toward the approved program were not in good academic standing and therefore were not eligible for TAP awards. In its February 21, 2003 response to the draft audit report, SED concurred with these disallowances.

Other Matters Needing Attention

We identified several issues that do not result in audit disallowances, but do pertain to control issues that Gamla officials need to address.

Accuracy of Transcripts

Criteria - Section 52.2(e) (6) of the Regulations requires colleges 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 found 25 college transcripts that were inaccurate. For example, the grade point average and/or the number of credits earned had been recorded incorrectly on some transcripts. College officials told us they are in the process of correcting such discrepancies. In several other cases, the transcripts indicated that the students had earned all "F" grades during a semester; when in fact the students had withdrawn from classes. The transcripts should have shown a withdrawal grade.

School Officials' Position - College officials did not respond to this finding.

Entrance Examination Answer Sheets

Criteria - Section 52.2(d) of the Regulations requires that the admission of students be determined through an orderly process using published criteria that are applied uniformly. Gamla's published entrance requirements state that all students must successfully complete either the American College Test or the Secondary Level English Proficiency Test. Further, the TAP Participation Agreement (Agreement) requires schools to have adequate internal controls in place to demonstrate the accuracy of the certification of students' eligibility for financial aid. The Agreement also requires the school to "establish and maintain complete and accurate books, records, documents, accounts and other evidence directly pertinent to performance under this contract."

Audit Determination - We found that Gamla had retained a record of the entrance exam scores for the students in our statistical sample. However, answer sheets to support the validity of those scores had not been retained.

School Officials' Position - College officials did not respond to this finding.

Recommendation to the Higher Education Services Corporation

Recover the \$968,311, plus applicable interest, from Gamla College for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that Gamla College is complying with State Education Department requirements that relate to full-time status, good academic standing, accuracy of transcripts, and record retention cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Gene Brenenson, Mostafa Kamal, and Erica Zawrotniak.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Shlomo Teichman, Ph.D.
Robert Barnes