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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 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: Polytechnic University
Report 2003-T-1

Dear Mr. Mills and Mr. 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 Polytechnic University (Polytechnic) for the 1999-2000 through 2001-02 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the New York State Education Law (Law), we determined that Polytechnic was overpaid \$246,781, because college officials had incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 6,346 TAP certifications Polytechnic had awarded for the three-year period that ended on June 30, 2002, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed 10 awards totaling \$16,534. A statistical projection of these disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$230,173. We also disallowed 11 awards totaling \$16,608 based on our review of other awards from outside the statistical sample period. Polytechnic officials refunded \$2,217

to five students whose awards had not been properly posted. Therefore, we recommend that HESC recover a total of \$244,564 plus applicable interest from Polytechnic.

Background

Polytechnic is a private university located in Brooklyn, New York. With an enrollment of approximately 1,700 undergraduate and 1,300 graduate students, it also has campuses in Long Island, Westchester County, and the Borough of Manhattan. Polytechnic offers bachelor, masters, and doctoral degree programs; as well as certificate programs in liberal arts, engineering, science, and mathematics that are approved by the New York State Education Department (SED). Many of these programs have been approved 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 Polytechnic 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 Polytechnic's management has 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, Polytechnic officials certified 6,346 TAP awards totaling \$10.7 million paid on behalf of 1,982 students during the three academic years that ended on June 30, 2002. We reviewed a statistical sample of 200 TAP awards totaling \$348,447 that were made to 188 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 Polytechnic that are included within our audit scope. These standards also require that we review and report on Polytechnic's internal control system and its compliance with those laws, rules, and regulations that are relevant to Polytechnic'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 Polytechnic, 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.

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

Our audit showed that, for the transactions and records tested, Polytechnic 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>	
Disallowances from the Statistical Sample:			
Students Not in Good Academic Standing	6	\$13,587	
Student Not in Full-Time Attendance	1	1,161	
TAP Awards Not Credited to Students’ Accounts	<u>3</u>	<u>1,786</u>	
Total Disallowances from the Statistical Sample	<u>10</u>	<u>\$16,534</u>	
Projected Amount			\$230,173
Disallowances from Outside the Statistical Sample Period:			
Students Not in Good Academic Standing	6	\$10,646	
Students Not Matriculated	3	5,531	
TAP Awards Not Credited to Students’ Accounts	<u>2</u>	<u>431</u>	
Total Disallowances from Outside the Sample	<u>11</u>	<u>16,608</u>	
Total Audit Disallowance			246,781
Less: Amounts Later Refunded to Students			<u>2,217</u>
Net Audit Disallowance			<u>\$244,564</u>

The disallowances are discussed below. Students’ names and related information were provided separately to Polytechnic officials.

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 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, he or 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.

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. Students who lose TAP eligibility because their cumulative grade point average is less than 2.0 cannot regain eligibility by remaining out of school for a period.

SED's Memorandum to Chief Executive Officers No. 81-12 states that the requirements for good academic standing may be waived for "exceptional or extraordinary cases" beyond a student's control. Moreover, it requires that "a complete case record should be maintained for students who receive the waiver. Failure on the part of an institution to ... maintain necessary documentation may result in an audit disallowance."

Audit Determination - We disallowed 12 awards (6 awards from our statistical sample period and 6 from outside the period) that had been paid on behalf of 10 students who had not maintained good academic standing. One of these students received an award in a term after failing to be in pursuit of his approved program of study. He did not earn passing or failing grades in the appropriate percentage of the minimum full-time course load required to qualify for his TAP award. The remaining nine students received TAP awards in terms after having failed to make satisfactory academic progress in accordance with the approved standard. They did not accrue the minimum cumulative credits and/or earn the specified minimum cumulative grade point average required on the school's chart of satisfactory academic progress.

Polytechnic officials granted a TAP waiver to 1 of the 10 students. However, officials could not provide the required documentation to support the waiver. The remaining nine students had not received waivers, did not make up the deficiencies at their own expense, or did not remain out of school for one year; therefore, they were not eligible to receive TAP awards for one calendar year.

School Officials' Position - School officials agree with these findings.

Students Not Matriculated

Criteria - Section 661 of the Law requires students to be matriculated in an approved program to be eligible for financial aid. It also 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. HESC's Manual of Program and Procedures requires a student to register for courses in order to be eligible for a State sponsored grant.

Section 52.2 of the Regulations states, “the admission of a student shall be determined through an orderly process using published criteria which shall be uniformly applied.” Compliance with this requirement is demonstrated when students meet the institution’s admission criteria as published in its catalog. Polytechnic’s catalog requires prospective freshmen to have a high school diploma or its equivalent.

Audit Determination - We disallowed three awards from outside the statistical sample period that had been paid on behalf of two students who were not properly matriculated. The school’s files for one of these students did not contain evidence of high school graduation or its equivalent. The remaining student received an award for the fall 1997 semester; however, the student did not enroll at Polytechnic until the spring 1998 semester.

School Officials’ Position - School officials agree with these findings.

Student Not in Full-Time Attendance

Criteria - Section 661 of the Law requires that students be in full-time attendance to be eligible for their 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 hours a semester for a semester of 15 weeks or its equivalent. SED’s Chief Executive Officers’ Memorandum No. 86-17 states, “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 course load for financial aid purposes.” It further 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.”

Audit Determination - We disallowed one sample term award that had been paid on behalf of a student who had not maintained full-time status. The student repeated a course he had previously passed. Therefore, the course could not be included as part of the student’s minimum full-time course load for financial aid purposes.

School Officials’ Position - School officials agree with this finding.

TAP Awards Not Credited to Students’ Accounts

Criteria - Section 2205.3(e) of the Regulations requires that each student’s account be credited within seven days after the receipt of a TAP award.

Audit Determination - We identified five awards (three from our statistical sample period and two from outside the period) that had not been credited or fully credited to the accounts of five students. These awards were paid on behalf of the five students for the summer 1998, spring 1999, fall 1999, spring 2000, and summer 2000 terms. Since Polytechnic officials did not distribute the funds properly so the students could benefit from the TAP awards, we are disallowing the amounts of the awards that were not credited.

School Officials' Position - School officials provided documentation to show that they subsequently refunded \$2,217 to the five students.

Auditors' Comments - We have subtracted these amounts from the total audit disallowance.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$244,564 plus applicable interest from Polytechnic University for its incorrect TAP certifications.*
2. *Ensure that Polytechnic University credits TAP awards to students' accounts in a timely manner.*

Recommendation to the State Education Department

Ensure that Polytechnic University complies with the State Education Department requirements relating to good academic standing, matriculation, full-time attendance, and waivers cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Harold Maher, Yelena Feldman, and Mostafa Kamal.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: David C. Chang, PhD
Carole E. Stone
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