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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 9, 2003

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: Elmira Business Institute
Report 2003-T-4

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 Elmira Business Institute (Elmira) for the 1999-00 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 Elmira was overpaid \$22,478, because school officials incorrectly certified 13 students as eligible for 20 TAP awards. Elmira officials subsequently decertified 6 of the 20 awards totaling \$13,224. Therefore, we recommend that HESC recover a total of \$9,254, plus applicable interest, from Elmira.

Background

Elmira, a two-year proprietary degree-granting school located in Elmira, New York, offers associate degrees and certificates in a number of business and health-related programs approved by the State Education Department (SED) for tuition assistance 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 to Elmira 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 Elmira'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, Elmira certified 980 TAP awards totaling \$1,717,471 on behalf of 481 students during the three academic years that ended on June 30, 2002. We reviewed a statistical sample of 150 randomly-selected TAP awards totaling \$258,649 made to 131 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 Elmira that are included within our audit scope. These standards also require that we review and report on Elmira's internal control system and its compliance with those laws, rules, and regulations that are relevant to Elmira'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 Elmira, 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.

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

Our audit showed that, for the transactions and records tested, Elmira 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>
Tuition Incorrectly Reported to HESC	15	\$7,558
Students Not in Good Academic Standing	4	8,662
Students Not in Full-Time Attendance	3	6,624
Student Not Meeting Residency Requirement	<u>1</u>	<u>930</u>
Total Audit Disallowances	23	23,774
Less: Awards Disallowed For More Than One Reason	<u>3</u>	<u>1,296</u>
Net Audit Disallowances	20	22,478
Less: Awards Decertified by Elmira	<u>6</u>	<u>13,224</u>
Disallowances Recoverable by HESC	<u>14</u>	<u>\$9,254</u>

The reasons for the disallowances are discussed on the following pages. Students' names and related information were provided separately to Elmira officials.

Tuition Incorrectly Reported to HESC

Criteria - Section 665(3)(a) of the Law requires that participating institutions certify to HESC the actual amount of tuition liability incurred by each student receiving a TAP Award. Further, Section 2205.3(b) of the HESC Regulations states that institutions shall be responsible for the accuracy of the tuition reported to HESC.

Audit Determination - We partially disallowed 15 awards that had been paid on behalf of 9 students. Elmira officials reported tuition amounts to HESC that were higher than the amounts these students were charged. We requested that HESC recalculate the awards based on the actual tuition charged. As a result, these students' TAP awards were reduced by a total of \$7,558. Accordingly, we disallowed the \$7,558. Elmira officials decertified two of the awards after we brought them to their attention.

School Officials' Position - Elmira officials agree with these findings and report that they have implemented changes in their certification process to prevent reporting incorrect tuition amounts to HESC.

Students Not in Good Academic Standing

Criteria - Section 665 of the Law requires that students be in good academic standing to be eligible to receive 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 at least 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, 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. Students can regain good academic standing by making up the deficiencies at their own expense, obtaining a TAP waiver, remaining out of school for at least one calendar year, or transferring to another institution.

Audit Determination - We disallowed four awards that had been paid on behalf of three students who had not maintained good academic standing. Two of these students received awards in terms after failing to be in pursuit of their approved program of study. They did not achieve passing or failing grades in the appropriate percentage of the minimum full-time course load required to qualify for their TAP awards. The remaining student received a TAP award in a term after having failed to make satisfactory academic progress in accordance with the approved standard. She did not earn the specified minimum cumulative grade point average needed, and therefore was not eligible to receive the award. Elmira officials decertified the four awards after we brought them to their attention.

School Officials' Position - Elmira officials agree with these findings and report that they have improved their internal controls over the review of students' academic standing.

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires that students must 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 per semester for a semester of 15 weeks or its equivalent.

Audit Determination - We disallowed three awards that had been paid on behalf of three students who had not maintained full-time status. The students each received an award in a term when they were enrolled for less than 12 credits. Elmira officials decertified two of the awards after we brought them to their attention.

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

Student Not Meeting Residency Requirement

Criteria - Section 661 of the Law requires that an applicant for a TAP award at the undergraduate level be a legal resident of New York State (State) for at least one year immediately preceding the beginning of the semester for which the award is made. Furthermore, according to HESC's Manual of Programs and Procedures (Manual), "the student must show having established a domicile or permanent place of abode in New York State." The Manual also stipulates that institutions should not certify eligibility for State awards for any student whose State residency is suspect.

Audit Determination - We disallowed the spring 2001 award that had been paid on behalf of a student who did not meet the residency requirement. Documentation in the student's files indicated that she had graduated from high school in Pennsylvania. In addition, the student listed a Pennsylvania driver's license number on her 2000-2001 financial aid (FAFSA) form. She also listed a Pennsylvania address on her February 2001 admission application and on other correspondence to Elmira.

School Officials' Position - Elmira officials agree with this finding.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$9,254 plus applicable interest from Elmira Business Institute for its incorrect TAP certifications.*
2. *Ensure that Elmira Business Institute officials do not certify tuition charges that are greater than the amounts actually charged to students, and do not certify students who do not meet the New York State residency requirement for TAP awards.*

Recommendation to the State Education Department

Ensure that Elmira Business Institute officials comply with the State Education Department requirements relating to good academic standing and full-time attendance cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Maureen Costello, and Brittany Hayes.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Mr. Brad C. Phillips, President
Carole E. Stone
Deirdre A. Taylor