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January 9, 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: Briarcliffe College
Report 2003-T-5

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 Briarcliffe College (Briarcliffe) 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 Briarcliffe was overpaid \$62,220, because school officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 3,998 TAP certifications Briarcliffe 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 six awards totaling \$9,710. A statistical projection of these disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$53,561. We also disallowed four awards totaling \$8,659 based on our review of other awards from outside the statistical sample period. Therefore, we recommend that HESC recover a total of \$62,220, plus applicable interest, from Briarcliffe.

Background

Briarcliffe College is a four-year degree-granting institution that offers bachelor degree, associate degree, and diploma programs in various disciplines that are approved by the New York State Education Department (SED) for TAP eligibility. Located in Bethpage, New York, with a secondary campus in Patchogue, New York, Briarcliffe is a wholly-owned subsidiary of Career Education Corporation, a Delaware corporation with principal offices in Hoffman Estates, Illinois. Briarcliffe was founded in 1966 and has an enrollment of approximately 2,600 students.

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 Briarcliffe 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 Briarcliffe's management had 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, Briarcliffe officials certified 3,998 TAP awards totaling \$5,343,119 that were paid on behalf of 1,797 students during the three academic years that ended on June 30, 2002. We reviewed a statistical sample of 200 randomly-selected TAP awards totaling \$262,113 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 Briarcliffe that are included within our audit scope. These standards also require that we review and report on Briarcliffe's internal control system and its compliance with those laws, rules, and regulations that are relevant to Briarcliffe'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 Briarcliffe, 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 claims for student financial aid.

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

Our audit showed that, for the transactions and records tested, Briarcliffe 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: | | | |
| Student Not Matriculated | 1 | \$1,378 | |
| Students Not in Full-Time Attendance | 2 | 4,937 | |
| Student Not in Good Academic Standing | 1 | 1,740 | |
| TAP Not Posted to a Student’s Account | 1 | 145 | |
| Student Not in an Approved Program | <u>1</u> | <u>1,510</u> | |
| Total Sample Disallowance | <u>6</u> | <u>\$9,710</u> | |
| Projected Amount | | | \$53,561 |
| Disallowances from Outside the Statistical Sample Period: | | | |
| Students Not in Full-Time Attendance | 2 | \$4,950 | |
| Student Not in Good Academic Standing | 1 | 1,209 | |
| TAP Not Posted to Students’ Accounts | <u>2</u> | <u>5,000</u> | |
| Total Disallowance from Outside the Sample Period | 5 | 11,159 | |
| Less: Disallowance for More than One Reason | <u>1</u> | <u>2,500</u> | |
| Net Disallowance from Outside the Sample Period | <u>4</u> | | <u>8,659</u> |
| Total Audit Disallowance | | | <u>\$62,220</u> |

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

Student Not Matriculated

Criteria - Section 661 of the Law requires that students 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. 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 these requirements is demonstrated when students meet the institution’s admission criteria as published in its catalog.

According to Briarcliffe’s catalog, a prospective student must be a high school graduate, hold a general equivalency diploma (GED), or have a college degree. In addition, a passing grade on an Ability-to-Benefit (ATB) examination is acceptable for admission and matriculation.

Audit Determination - We disallowed one award from our statistical sample period that had been paid on behalf of a student who was not properly matriculated. Even though the student received a TAP award at Briarcliffe for the August through December 2000 term, he did not graduate from high school until January 2001.

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

Students 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 credit hours a semester for a semester of 15 weeks or its equivalent. SED’s Chief Executive Officers’ Memorandum No. 86-17 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 four awards (two awards from our statistical sample period and two from outside the period) that had been paid on behalf of three students who did not meet the full-time requirement. Two of these students had enrolled in courses that were not applicable to the program in which they were enrolled. Therefore, they were not enrolled for 12 hours creditable toward their degree. The other student was not enrolled in any classes during the semester for which he/she had received an award.

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

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, 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. 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 two awards (one award from our statistical sample period and one from outside the period) that had been paid on behalf of two students who had not maintained good academic standing. These students did not earn passing or failing grades in enough courses, applicable to their designated programs, to meet the pursuit of program requirements. Moreover, neither student had received waivers, made up the deficiencies at their own expense, or remained out of school for one calendar year.

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

TAP Not Posted 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 three students whose awards (one from our statistical sample period and two from outside the period) were not fully credited to their accounts. Since Briarcliffe did not distribute the funds properly so the students could benefit from their TAP awards, we are disallowing these awards.

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

Student Not in an Approved Program

Criteria - Section 661.4 of the Law requires students to be matriculated in an approved program to be eligible for TAP awards. Furthermore, Section 52.1 of the Regulations requires that the formal educational requirements students must meet to qualify for degrees are registered with the Commissioner of Education.

Audit Determination - We disallowed one sample term award for a student who was enrolled in a program that had not been approved by SED. The student was admitted to the Bachelor of Fine Arts program in fall 1999; however, this program was not approved by SED until August 2000.

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

Other Matters Needing Attention

The following findings do not result in audit disallowances. They pertain to control issues that Briarcliffe officials need to address.

Accuracy of Transcripts

Criteria - Section 52.2(e) of the Regulations requires institutions 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.”

In addition, SED officials informed us that all F grades must be included in both the transcript grade point average for the term in which they were earned and the cumulative grade point average. The grade point average for the term must always include the F. However, if the student later passes the course, the school may, from that point forward, either average both the F and passing grade or drop the F grade when calculating the student’s cumulative grade point average.

Audit Determination - When a student repeats a course, Briarcliffe’s procedure is to replace the previous grade with the new grade. As a result, the term and cumulative grade point averages were reported incorrectly on the transcripts of 22 students whose records we reviewed. For example, the transcript for one student showed a cumulative grade point average of 3.50, when that student’s correct cumulative grade point average at the time was 1.75. For another term, the same student’s transcript reflected term and cumulative grade point averages of 2.50 and 2.72, respectively. The correct grade point averages were 1.25 and 1.88, respectively.

School Officials’ Position - School officials agree on the need to address grade point averages on student transcripts.

Students Graduating Without the Required Courses

Criteria - The school’s catalog defines specific program and academic requirements students must meet in order to graduate.

Audit Determination - We identified two students who had graduated, but had failed to meet published program requirements. These students did not take all the courses that were specified for their degrees, and college officials did not provide documentation to show that alternative courses had been approved.

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

Recommendations to the Higher Education Services Corporation

1. *Recover the \$62,220 plus applicable interest from Briarcliffe College for its incorrect TAP certifications.*
2. *Ensure that Briarcliffe College officials post TAP awards to students’ accounts in a timely manner.*

Recommendation to the State Education Department

Ensure that Briarcliffe College complies with State Education Department requirements relating to matriculation, full-time status, good academic standing, approved programs, accuracy of transcripts, and graduation cited in this report.

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

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Dr. Neal A. Raisman
Deirdre A. Taylor, DOB