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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 26, 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: Technical Career Institutes, Inc.  
Report 2003-T-6

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 Technical Career Institutes, Inc. (TCI) 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 TCI was overpaid \$19,554, because school officials had incorrectly certified 13 students as eligible for 14 TAP awards. Therefore, we recommend that HESC recover a total of \$19,554, plus applicable interest, from TCI.

**Background**

Technical Career Institutes, Inc. a two-year degree-granting technical college located in Manhattan, New York City, offers 13 Associate Degree and Certificate programs that are approved by the New York 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 TCI 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 compliance audit was to determine whether TCI'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, TCI certified 18,539 TAP awards totaling \$22,419,300 on behalf of 6,619 students during the three academic years that ended on June 30, 2002. We reviewed a statistical sample of 200 randomly-selected TAP awards totaling \$297,134 made to 198 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 TCI that are included within our audit scope. These standards also require that we review and report on TCI's internal control system and its compliance with those laws, rules, and regulations that are relevant to TCI'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 TCI, 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.

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

Our audit showed that, for the transactions and records tested, TCI was generally in compliance with these provisions, except as noted in the following 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.

<b><u>Reason for Disallowance</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>
Students Not in Full-Time Attendance	7	\$ 9,663
Students Not in Good Academic Standing	6	7,828
Student Not Meeting Residency Requirements	<u>1</u>	<u>2,063</u>
Total Audit Disallowance	<u>14</u>	<u>\$19,554</u>

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

### **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 hours a semester for a semester of 15 weeks or its equivalent. In addition, effective for academic terms that began after January 1, 1978, a student carrying a full-time program that includes noncredit remedial courses must carry at least six credits of non-remedial courses each semester, except for the first semester when a student may carry just three credits. According to SED's Memorandum to Chief Executive Officers No. 86-17, "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." The memorandum 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 seven awards that had been paid on behalf of six students who did not meet the full-time requirements. Four of these students had enrolled in courses that were unrelated to their degree programs and/or had repeated courses they previously passed. The remaining two students had not enrolled in enough non-remedial credits to meet the full-time attendance requirements. Therefore, they were not eligible for the TAP awards they received.

*School Officials' Position* - TCI officials concur with our disallowances pertaining to five of these students. However, school officials contend that the sixth student had met the full-time attendance requirements, because all of his courses were applicable to the Office Technology program in which he was enrolled.

Auditors' Comments - According to the school's records, this student was enrolled in the Computerized Accounting program for the terms in question. School officials could not provide a "Status Change Form" or any other documentation to show that the student had changed his program to Office Technology for those terms.

### **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 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 six awards that had been paid on behalf of six students who did not maintain 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, none of the six students 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.

### **Student Not Meeting Residency Requirements**

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, or be a legal resident of the State and have been a legal resident during the final two semesters of high school. 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 stipulates that institutions should not certify eligibility for State awards for any student whose State residency is suspect.

Audit Determination - We disallowed a fall 1998 award that had been paid on behalf of a student who did not meet the residency requirements. Documentation in the student's files indicated that she had graduated from a high school that was located outside of New York State. In addition, the student had filed a California Resident Tax Return for calendar year 1997. School officials did not provide sufficient documentation to show that this student had been a resident of New York State for one year prior to receiving the fall 1998 TAP award.

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

**Recommendations to the Higher Education Services Corporation**

1. *Recover the \$19,554 plus applicable interest from Technical Career Institutes, Inc. for its incorrect TAP certifications.*
2. *Ensure that Technical Career Institutes, Inc. complies with the Higher Education Services Corporation requirements regarding residency.*

**Recommendation to the State Education Department**

*Ensure that Technical Career Institutes, Inc. complies with the State Education Department requirements relating to full-time attendance and good academic standing.*

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Sal D'Amato, Kezia Chacko, Yelena Feldman, and Michael Ain.

We wish to express our appreciation to the management and staff of Technical Career Institutes, Inc. for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston  
Audit Director

cc: Thomas M. Coleman  
Carole E. Stone  
Deirdre A. Taylor