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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 2, 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: Bryant & Stratton - Rochester
Report 2003-T-7

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 Bryant & Stratton - Rochester (B&S Rochester) 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 B&S Rochester was overpaid \$74,920, because school officials incorrectly certified 14 students as eligible for 18 TAP awards. We tested the accuracy of the 2,367 TAP certifications the school 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 8 awards totaling \$12,808. A statistical projection of these disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$57,851. We also disallowed 10 awards totaling \$17,069 based on our review of other awards from outside the statistical sample period. Therefore, we recommend that HESC recover a total of \$74,920 plus applicable interest, from B&S Rochester.

Background

B&S Rochester is a two-year proprietary school with campuses in Greece and Henrietta, New York. It offers associate degrees and diplomas in a number of programs, including business, health, and hotel management, that are approved by the New York State Education Department (SED) for tuition assistance eligibility. B&S Rochester is a member of the Bryant & Stratton system of colleges which operate campuses in New York, Ohio, Virginia, and Wisconsin.

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 HESC, SED, and B&S Rochester 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 performance audit was to determine whether B&S Rochester'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, B&S Rochester officials certified 2,367 TAP awards totaling \$3,749,494 that were paid on behalf of 1,069 students during the three academic years that ended on June 30, 2002. We reviewed a statistical sample of 200 randomly-selected TAP awards totaling \$314,340 that were made to 181 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 B&S Rochester that are included within our audit scope. These standards also require that we review and report on B&S Rochester's internal control system and its compliance with those laws, rules, and regulations that are relevant to B&S Rochester'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 B&S Rochester, 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.

B&S Rochester's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of B&S Rochester'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 B&S Rochester's overall compliance with such provisions. Our audit showed that, for the transactions and records tested, B&S Rochester 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:

<u>Reason for Disallowance</u>	<u>Number of Awards</u>	<u>Amount</u>	<u>Total</u>
Disallowances from the Statistical Sample:			
Students Not in Good Academic Standing	7	\$12,671	
Student Not in Full-Time Attendance	<u>1</u>	<u>137</u>	
Total Disallowances from the Statistical Sample	<u>8</u>	<u>\$12,808</u>	
Projected Amount			\$57,851
Disallowances from Outside the Statistical Sample Period:			
Students Not in Good Academic Standing	9	\$17,019	
TAP Not Fully Credited to a Student's Account	<u>1</u>	<u>50</u>	
Total Disallowances from Outside the Sample	<u>10</u>		<u>17,069</u>
Total Audit Disallowance			<u>\$74,920</u>

The reasons for the disallowances are discussed on the following pages. Student's names and related information were provided separately to B&S Rochester officials.

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 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. Students can regain good academic standing by making up the deficiencies without benefit of State awards, obtaining a TAP waiver, remaining out of school for at least one calendar year, or transferring to another institution. According to HESC's Programs, Policies and Procedures Manual (Manual), a school grants a waiver by entering a "W" in the waiver column of the payment roster it submits to HESC. HESC maintains a record of all one-time waivers granted and prints a "W" on the payment roster for each student who was previously granted a waiver, thus preventing institutions from granting additional waivers to the same students. The HESC Manual states that the improper granting of waivers can result in an audit disallowance.

Audit Determination - We disallowed 16 awards (7 awards from our statistical sample period and 9 from outside the period) that had been paid on behalf of 13 students who did not maintain good academic standing. Six of these students received awards 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 award. Four other students received awards in terms after they failed to make satisfactory academic progress. They did not accrue the minimum number of credits and/or earn the required minimum cumulative grade point average, and therefore were not eligible to receive TAP awards in the specified terms. The remaining three students failed to meet the requirements relating to both pursuit of program and satisfactory academic progress.

B&S Rochester officials granted one-time TAP waivers to three students who were not in good academic standing. However, there is no evidence that these waivers were reported to HESC, as required. The remaining 10 students had not received waivers, did not make up the deficiencies without benefit of State awards, or did not remain out of school for one year; therefore, they were not eligible for the TAP awards they received.

School Officials' Position - B&S Rochester officials agree with this finding with reservations. They contend that one-time TAP waivers had been granted to 3 of the 13 students. However, they noted that although the school retained copies of the waivers, there is no record that the waivers were received by HESC. School officials also contend that another student who had received one award was disabled. Officials state that they acted in the best interests of the student. They added that they believe that this student should have been eligible for a TAP waiver with special consideration under the Americans with Disabilities Act.

Auditor's Comments - By not properly reporting the waivers to HESC, school officials did not comply with the published procedures for the granting of the three, one-time waivers. The student whom B&S Rochester officials assert is disabled, was not in good academic standing, and had

neither applied for, nor had been granted a TAP waiver; therefore, he was not eligible for the award he received.

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 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 one sample term award that had been paid on behalf of a student who did not maintain full-time status. The student received an award in a term when he was enrolled for fewer than 12 credits.

School Officials' Position - B&S Rochester officials agree with this finding.

TAP Not Fully Credited to a Student's Account

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

Audit Determination - We partially disallowed one award that had not been fully credited to a student's account.

School Officials' Position - B&S Rochester officials agree with this finding.

Other Matter - Student Due a Refund

Criteria - Section 2205.3(e)(1)(iii) of the Regulations requires that, within 45 days of the receipt of financial aid payment, institutions must refund to the student any amount received in excess of the funds owed the institution or, with the written consent of the student, apply such funds to subsequent terms.

Audit Determination - In our review of the 200 statistically-sampled awards, we found that one student's account had a credit balance of \$621.86 that had been outstanding since February 2002. An appropriate refund should be issued to this student.

School Officials' Position - B&S Rochester officials agree with this finding and state they have issued a refund to the student.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$74,920 plus applicable interest from Bryant & Stratton-Rochester for its incorrect TAP certifications.*
2. *Ensure that officials at Bryant & Stratton-Rochester report, to HESC, the use of all one-time waivers related to good academic standing; properly credit TAP awards to students' accounts; and promptly refund any amounts owed to students.*

Recommendation to the State Education Department

Ensure that officials at Bryant & Stratton-Rochester comply with the State Education Department requirements for 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 Bryant & Stratton-Rochester for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston
Audit Director

cc: Anne Loria
Carole E. Stone