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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 5, 2005

Mr. Richard P. Mills
Commissioner
State Education Department
Education Building
Albany, New York 12234

Dr. James C. Ross
President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: University at Buffalo
Report 2004-T-2

Dear Mr. Mills and Dr. Ross:

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 the State University of New York's University at Buffalo (UB) for the 2000-01 through 2002-03 academic years.

Summary and Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that UB was overpaid \$41,759 because school officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 45,224 TAP certifications UB awarded for the three-year period that ended on June 30, 2003, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed three awards totaling \$4,476. A statistical projection of these audit disallowances to the entire population, using a 95 percent single-sided confidence level, results in an audit disallowance of \$40,627. We also disallowed three awards totaling \$3,395 based on our review of other awards from outside the statistical sample. UB officials subsequently decertified two disallowed awards totaling \$2,263. Therefore, we recommend that HESC recover a net total of \$41,759, plus applicable interest, from UB.

Background

UB is part of the State University of New York (SUNY) system. UB offers more than 300 bachelor, masters and doctoral degree programs in the arts and sciences. UB's two campuses are located 3 miles apart. The 1,200 acre North Campus is located in the town of Amherst and houses most of the UB's non-medical disciplines. The Schools of Medicine, Biomedical Sciences, Dental Medicine, Nursing, and Health Related Professions are located at the South Campus in the city of Buffalo. The majority of UB's programs are approved by the State Education Department (SED) 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 UB 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 UB'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 a review of the process HESC follows in determining the amount of such awards.

According to HESC records, UB officials certified 45,224 TAP awards totaling \$38.3 million paid on behalf of 14,986 students during the three academic years that ended on June 30, 2003. We reviewed a statistical sample of 200 awards totaling \$156,992 that were made to 199 undergraduate 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 UB that are included within our audit scope. These standards also require that we review and report on UB's internal control system and its compliance with those laws, rules, and regulations that are relevant to UB'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 UB, 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.

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

Our audit found that, for the transactions and records tested, UB complied, in most material respects, 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 Full-Time Attendance	2	\$3,325	
Student Not in Good Academic Standing	<u>1</u>	<u>1,151</u>	
Total Disallowances from the Statistical Sample	<u>3</u>	<u>4,476</u>	
Projected Amount			\$40,627
Disallowances from Outside the Statistical Sample Period:			
Students Not in Good Academic Standing	2	\$2,263	
Student Not Matriculated	<u>1</u>	<u>1,132</u>	
Total Disallowances from outside the Sampled Period	<u>3</u>		<u>3,395</u>
Total Audit Disallowance			44,022
Less: Decertified Awards			<u>2,263</u>
Net Audit Disallowance			<u>\$41,759</u>

The reasons for the disallowances are discussed below. Students' names and related information were provided separately to UB officials.

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires students to 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 semester hours for a semester of not less than 15 weeks or its equivalent. SED's Chief Executive Officer 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 two awards from our statistical sample period that had been paid on behalf of two students who did not maintain full-time status. One of these students had enrolled in courses, during the spring 2003 term, that were not applicable to the student's approved program - English. Therefore, this student was not enrolled for a minimum of 12 semester hours creditable toward his degree. The remaining student repeated courses that had been passed in a previous semester. Therefore, the courses cannot be included as part of the student's minimum full-time course load for financial aid purposes.

School Officials' Position - UB officials concur 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 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. However, such standing can be regained if the deficiencies are made up without additional State awards, if a TAP waiver is obtained, if the student remains out of school for at least one calendar year, or transfers to another institution.

Audit Determination - We disallowed three awards (one award from our statistical sample period and two from outside the period) that had been paid on behalf of three students who did not maintain good academic standing. Two of these students had not earned passing or failing grades in enough courses, applicable to their designated programs, to meet the pursuit of program requirements. The remaining student had not earned the cumulative grade point average required on UB's chart of satisfactory academic progress to maintain her TAP eligibility. Because the students had not received waivers, had not made up the deficiencies without additional State awards, or had not remained out of school for one year, they were not eligible to receive the TAP awards.

School Officials' Position - UB officials concur with this finding. They stated that the disallowed awards for two of the students have since been decertified.

Student Not Matriculated

Criteria - Section 661 of the Law requires that students be matriculated in an approved program to be eligible for financial aid. SED's Chief Executive Officer Memorandum No. 84-07 requires baccalaureate degree program students to declare a major by the beginning of their junior year in order to be considered matriculated for financial aid purposes. HESC and SED have agreed that students who declare their major within 30 days after the drop/add period of the first semester of their junior year will have met this requirement. UB's catalog classifies a student as a junior when the student completes a minimum of 60 credit hours.

Audit Determination - We disallowed the spring 2004 term award that had been paid on behalf of a student who did not meet the matriculation requirements for that term. This student, who had earned 60 credits and was therefore a junior, did not declare a major for the spring 2004 term, as required.

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

Recommendation to the Higher Education Services Corporation

Recover the \$41,759, plus applicable interest, from the University at Buffalo for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that the University at Buffalo officials comply with the State Education Department requirements relating to full-time, good academic standing and matriculation cited in this report.

Major contributors to this report were Kenrick Sifontes, Cindi Frieder, Maureen Costello, Sal D'Amato and Stephen Capozza.

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

Very truly yours,

Steven E. Sossei
Audit Director

cc: Dr. John B. Simpson, President, University at Buffalo
John F. Cape, Division of the Budget
C. Kevin O'Donoghue, University Auditor