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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

August 18, 2011

Dr. John B. King, Jr.  
Acting Commissioner  
State Education Department  
State Education Building, Room 408  
89 Washington Avenue  
Albany, New York 12234

Ms. Elsa Magee  
Acting President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, New York 12255

Re: Professional Business College  
Report 2010-T-3

Dear Dr. King and Ms. Magee:

The Office of the State Comptroller audits postsecondary institutions to verify that only eligible students receive State-funded Tuition Assistance Program (TAP) awards. The objective of this audit was to determine whether Professional Business College management complied with the Education Law and the Commissioner of Education's Rules and Regulations when certifying students for TAP awards.

### Summary

We determined that Professional Business College (PBC) was overpaid \$5,438, because school officials incorrectly certified three students as eligible for TAP awards. We tested the accuracy of the school's certifications<sup>1</sup> for the three-year period ended June 30, 2009, by reviewing a sample of 150 randomly-selected awards. For the transactions tested, we found the PBC complied, in most material respects, with certification requirements. However, our testing of these, and other awards, identified three ineligible awards totaling \$5,438. Therefore, we recommend that the Higher Education Services Corporation (HESC) recover \$5,438, plus applicable interest, from PBC.

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<sup>1</sup> Professional Business College certified 4,596 TAP awards for the academic years of 2006-07 through 2008-09.

## Background

Professional Business College is an independent proprietary college, with its main building in lower Manhattan; it also leases classroom space at another building seven blocks away. PBC offers six programs: three accounting/business/office programs that lead to certificates and three accounting and business-related programs that lead to associates degrees. The school offers continuous enrollment and the academic year consists of 15-week semesters; each has two alternative start dates about two months apart. Students can attend a third 15-week semester, which is considered accelerated study. PBC currently has approximately 640 students and its tuition for full-time study is about \$4,500 per semester.

TAP is the largest of the various student grant and scholarship programs HESC administers. It is an entitlement program designed to provide funds to cover tuition costs for eligible students. Schools receiving TAP payments certify student eligibility.

We provided a draft copy of this report to HESC, State Education Department (SED), and Professional Business College officials for their review and comment. We have considered their comments in preparing this audit report.

## Audit Results

The following table summarizes the disallowed payments:

<b>Reasons for Disallowances</b>	<b>Awards</b>	<b>Amount</b>
Students Not in Full-Time Attendance	2	\$3,925
Student Not in Good Academic Standing	1	1,513
<b>Total Disallowance</b>	<b>3</b>	<b>\$5,438</b>

The disallowed payments are discussed in the following paragraphs. Student names and related information were provided separately to school officials.

### Students Not in Full-Time Attendance

Section 661 of the State Education Law requires students to be in full-time attendance to be eligible for State financial aid. Section 145-2.1 of the Commissioner of Education's Rules and Regulations states, in part, that full-time study 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. The 12 semester hours may include up to 6 hours of remedial courses; however, during the first semester of study, up to 9 hours of remedial courses may be counted toward full-time study.

SED's Memorandum to Chief Executive Officers (CEO) No. 86-17 requires 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.

We disallowed two awards paid to PBC on behalf of two students who were not full-time. One student had enrolled in nine remedial credits as a part of the student's full-time course load, when it was not the first term of study. The other student, while enrolled for the full-time number of credits, had not enrolled in 12 credits that were applicable to her designated program.

PBC officials agree with our disallowances for these two students.

### **Student Not in Good Academic Standing**

Section 665(6) of the Law requires students to be in good academic standing to qualify for 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 school's SED-approved and published chart of satisfactory academic progress. 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.

CEO 81-12 states that institutions must maintain detailed readmission records for students who have lost good academic standing and then return to college after an absence. The detailed record should show that the institution has given due consideration to the student's prior loss of good academic standing, has determined that the student can benefit from study at the institution, and that the institution will provide the instructional and other support the student needs to complete the program. CEO 81-12 further states that institutions which reinstate a student after a period of absence must maintain a clear, accurate, and complete admissions record for each student and that failure to maintain a record indicating that the student's special circumstances were considered and that the institution has a planned program to remedy academic weaknesses may lead to an audit disallowance.

We disallowed one award paid to the school for a student who was not in good academic standing. In summer 2006, the student did not earn passing or failing grades in any courses and therefore failed the pursuit of program requirements. The student also had not earned the minimum number of cumulative credits or grade point average required to maintain TAP eligibility. PBC readmitted the student after an absence of one year. PBC readmitted the student after an absence of one year. PBC did not maintain a record, as required by CEO-81-12, regarding the readmission of the student.

PBC officials disagree with this disallowance, asserting that they had a plan of support. They

state that the student, upon being readmitted to PBC, had been screened by an admissions representative and interviewed by the Academic Vice President. Classes were then selected specifically for the student by the Director of Counseling and Guidance.

The student registered for one remedial course plus four college-level courses. She dropped one course and failed the other four. We saw no evidence that PBC officials had a plan for addressing the student's needs, or for providing instructional and other support that would have helped this student complete her program. We conclude that the conditions for readmission were not met and the student was not TAP-eligible.

### **Recommendation to the Higher Education Services Corporation**

*Recover \$5,438, plus applicable interest, from Professional Business College for its incorrect TAP certifications.*

### **Recommendation to the State Education Department**

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

### **Audit Scope**

According to HESC records, PBC officials had certified 4,596 TAP awards totaling \$10,505,058 that were paid to the school for 2,338 students during the three academic years ended on June 30, 2009. We reviewed a random sample of 150 TAP awards totaling \$349,717 that had been made on behalf of 145 PBC students during that period. We also reviewed other awards outside the three-year period that came to our attention during the audit.

### **Audit Objective**

Our objective was to determine whether PBC management had complied with the Education Law and the Commissioner of Education's Rules and Regulations when certifying students for TAP awards. Our audit did not include a review of HESC processes to determine student award amounts.

### **Methodology**

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and performing our audit of Professional Business College, 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 colleges' accounting system and other systems that would support claims for student financial aid.

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

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. 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 accounting standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

### **Authority**

Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article XIV, Section 665(3) of the State Education Law authorize the State Comptroller to audit the Tuition Assistance Program.

### **Contributors to the Report**

Major contributors to this report were Cindi Frieder, Gene Brenenson, Diane Gustard, Dana Bitterman, Legendre Ambrose, and Ioulia Maley.

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

Sincerely,

John F. Buyce, CPA  
Audit Director

cc: Leon Lee, Professional Business College  
Nick Poliseno, Professional Business College  
Tom Lukacs, Division of the Budget