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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

May 7, 2012

Dr. John B. King, Jr.  
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: Audit of the Tuition Assistance  
Program at SUNY - Fashion Institute of  
Technology  
Report 2010-T-4

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 Fashion Institute of Technology management 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.

**Summary**

We determined that the Fashion Institute of Technology was overpaid \$598,537 because school officials incorrectly certified students as eligible for Tuition Assistance Program 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 200 randomly-selected awards.

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<sup>1</sup>Fashion Institute of Technology certified 9,705 TAP awards for the academic years 2006-07 through 2008-09.

From the sample, we disallowed 16 payments totaling \$20,354. Our projection<sup>2</sup> of these 16 awards to the school's payment population for the three-year period results in an audit disallowance of \$561,986. We also disallowed 27 awards totaling \$36,551 from outside the three-year period.

Therefore, we recommend that the Higher Education Services Corporation (HESC) recover \$598,537, plus applicable interest, from the Fashion Institute of Technology.

## **Background**

The Fashion Institute of Technology (FIT) is a State University of New York community college located in Manhattan. Founded in 1944, FIT offers a variety of programs in design, fashion, art, communications and business which have been approved by the State Education Department (SED) for tuition assistance eligibility. FIT's current enrollment is approximately 10,000 students, and its annual tuition for New York State residents is approximately \$3,700 for associate's degrees and \$5,160 for baccalaureate degrees.

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

We provided a draft copy of this report to HESC, SED and FIT officials for their review and comment. We have considered their comments in preparing this audit report.

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<sup>2</sup> A 95-percent single-sided confidence level was used.

**Audit Results**

The following table summarizes the disallowed payments:

<b><u>Disallowed Payments during the 3-Year Sample Period</u></b>		
<b>Reason</b>	<b>Awards</b>	<b>Amount</b>
Students Not in Full-Time Attendance	11	\$11,905
Students Not in Good Academic Standing	4	6,300
Student Not Matriculated	1	1,512
Student Not Meeting Residency Requirements	<u>1</u>	<u>2,233</u>
<b>Total Disallowance from the Sample Period</b>	<b>17</b>	<b>21,950</b>
Minus: Award Disallowed for Multiple Reasons	<u>(1)</u>	<u>(1,596)</u>
<b>Net Disallowance from the Sample Period</b>	<b><u>16</u></b>	<b><u>\$20,354</u></b>
<b>Projected Amount for the Sample Period</b>		<b>\$561,986</b>

<b><u>Disallowed Payments outside the 3-Year Sample Period</u></b>		
<b>Reason</b>	<b>Awards</b>	<b>Amount</b>
Students Not in Full-Time Attendance	15	\$17,069
Students Not in Good Academic Standing	9	14,476
Students Not Matriculated	2	2,975
Students Not Meeting Residency Requirements	<u>5</u>	<u>7,664</u>
<b>Total Disallowance from Outside the Sample Period</b>	<b>31</b>	<b>\$42,184</b>
Minus: Awards Disallowed for Multiple Reasons	<u>(4)</u>	<u>(5,633)</u>
<b>Net Disallowance from Outside the Sample Period</b>	<b><u>27</u></b>	<b><u>\$36,551</u></b>

<b>Total Disallowance</b>	
<b>Total Disallowance (Projected Amount + Net Disallowance from Outside the Sample Period)</b>	<b><u>\$598,537</u></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 (Law) requires the Commissioner of Education to define full-time attendance. Section 145-2.1 of the Commissioner's Rules and Regulations states, in part, that full-time study at a degree-granting school is enrollment for at least 12 semester hours for a semester of not less than 15 weeks or its equivalent.

SED's Memorandum to Chief Executive Officers 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."

We disallowed 26 awards (11 from our statistical sample period and 15 from outside the period) paid on behalf of 21 students who school officials certified as full-time but these students did not meet the full-time requirement.

- All 21 students, while enrolled for the number of credits required for full time, had not enrolled in at least 12 credits that were applicable to their designated programs.
- One of the 21 students also received TAP during a summer term and had not enrolled in at least six credits applicable to her program of study.

School officials point out that while some of the credits taken were not directly related to the students' program of study, the courses were an important aspect of the students educational pursuit and academic experience and assert that the audit finding is too rigid an interpretation of the TAP regulations. However, students must be enrolled in at least 12 credits applicable to their program of study to receive a full semester TAP award. These students did not comply with that requirement.

School officials specifically disagree with the disallowances for one of these students. The student enrolled in a remedial course and a developmental course during fall 2008; however, his transcript shows that he had passed both courses at FIT during fall 2006. We therefore did not count these courses toward the 12-credit requirement for fall 2008 and concluded that the student was not full-time.

FIT officials however stated that the student had not yet passed the courses taken in fall 2006 when they certified this student for fall 2008. They explained that intermediate grades had been entered on the transcript because passing grades for the two courses were contingent on completing a third course, which the student completed in fall 2009.

The school's catalogue does not indicate that passing grades for the remedial and development courses are not earned until a third course is completed; nor does the student's transcript reflect the existence of the interim grade. As the student's transcript records that the

student earned a passing grade in these two courses in fall 2006, they cannot be counted again towards full-time in fall 2008.

We discussed this student's case with SED officials. They agreed that the school did not demonstrate that this student met TAP eligibility requirements for this award.

### **Students Not in Good Academic Standing**

Section 665(6) of the Law requires that students 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 make 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.

We disallowed 13 awards (four from our statistical sample period and nine from outside the period) that had been paid on behalf of ten students who did not maintain good academic standing.

- Nine students did not earn passing or failing grades in enough courses applicable to their designated programs, to meet the pursuit of program requirements.
- One student did not maintain the required cumulative grade point average.

FIT officials disagree with the disallowances for one student who had repeated two courses for which he had already earned a passing grade. This is the same student discussed in the full-time attendance section.

### **Students Not Matriculated**

Section 661 of the Law requires that students who received their first financial aid payment between the 1996-97 and 2005-06 academic years to have a certificate of graduation from a high school or the equivalent; or to have achieved a passing score, as determined by the United States Secretary of Education, on a federally-approved examination.

Students who received their first financial aid payment in the 2006-07 academic year must have a certificate of graduation from a United States high school or the equivalent; or must have achieved a passing score on a federally-approved examination that has been independently administered and evaluated.

Students who received their first financial aid payment in the 2007-08 academic year or later must have a certificate of graduation from a United States high school or the equivalent; or must have achieved a passing score on a federally-approved examination that has been identified by the Board of Regents as satisfying eligibility requirements and that is independently administered and evaluated.

We disallowed three awards (one from our statistical sample and two from outside the sample period) paid on behalf of a student who did not have a U.S. high school diploma, and had not taken all parts of an ability-to-benefit test. School officials disagree with this disallowance, stating that the student was exempt from some parts of the ability-to-benefit test because the student had taken an English Composition course. However, the Law does not provide for such an exemption; students must take an entire ability-to-benefit test to comply the Law.

### **Students Not Meeting Residency Requirements**

Section 661 of the Law requires that an applicant for a TAP award at the undergraduate level of study be a legal resident of New York State for at least one year immediately preceding the beginning of the semester for which an award is made, or have been a legal resident of New York during the last two semesters of high school. The Higher Education Services Corporation's Manual of Programs, Policies and Procedures advises institutions to refrain from certifying any student whose State residency is suspect.

We disallowed six awards (one from our statistical sample period and five from outside the period) paid to FIT on behalf of one student for whom there was insufficient proof that she satisfied the New York State residency requirement.

FIT officials agree with these disallowances.

### **Audit Scope**

According to HESC records, FIT officials certified 9,705 TAP awards totaling \$10,476,449 that were paid to the school for 3,387 students during the three academic years ended on June 30, 2009. We reviewed a statistical sample of 200 TAP awards totaling \$221,291 made on behalf of 195 FIT students during that period. We also reviewed other awards outside the three-year period that came to our attention during the audit.

## **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 the Fashion Institute of Technology, 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 college's accounting system and other systems that would support claims for student financial aid.

The Fashion Institute of Technology's management is responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of FIT'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 FIT's overall compliance with such provisions. Our audit found that, for the transactions and records tested, FIT generally complied with these provisions, except as noted in the preceding 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. 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 this Report**

Major contributors to this report were Cindi Frieder, Gene Brenenson, Irina Kovaneva, Elizabeth McNiff, Jean-Renel Estime and Lillian Fernandes.

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

1. *Recover \$598,537, plus applicable interest, from the Fashion Institute of Technology for its incorrect TAP certifications.*
2. *Ensure FIT officials verify that residency requirements are met for students who are certified as eligible for TAP.*

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

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

We express our appreciation to management and staff of the Fashion Institute of Technology for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,



John F. Buyce, CPA, CIA, CGFM  
Audit Director

cc: Dr. Joyce F. Brown, Fashion Institute of Technology  
David Rankert, Fashion Institute of Technology  
Tom Lukacs, Division of the Budget