

THOMAS P. DINAPOLI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

December 26, 2014

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

Dr. John King, Jr.  
Commissioner  
State Education Department  
State Education Building, Room 408  
89 Washington Avenue  
Albany, NY 12234

Re: Audit of the Tuition Assistance  
Program at SUNY Stony Brook University  
Report 2013-T-2

Dear Ms. Magee and Dr. King:

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 Stony Brook University (Stony Brook) officials complied with the State Education Law and the Commissioner of Education's Rules and Regulations when certifying students for TAP awards.

**Summary**

We determined that Stony Brook was overpaid \$4,170,880 because school officials incorrectly certified certain students as eligible for TAP awards. We tested the accuracy of the school's certifications by reviewing a sample of 175 randomly selected awards from the three academic years ended June 30, 2011.

We disallowed 21 payments, totaling \$30,830, for a variety of reasons, including payments for students who did not meet the full-time attendance requirement and students who were not in good academic standing. Our statistical projection of these 21 awards to the school's payment

population for the three-year review period results in an audit disallowance of \$4,109,233. We also disallowed another 44 awards, totaling \$61,647, relating to payments made for sampled students outside of the three-year review period.

We recommend that the Higher Education Services Corporation (HESC) recover the \$4,170,880, plus applicable interest, from Stony Brook for these incorrect certifications (see table on page 3). We also recommend that SED officials work with Stony Brook officials to help ensure their future compliance with all of the TAP eligibility requirements cited in our report.

## **Background**

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to help eligible students pay tuition charges. Schools receiving TAP payments are responsible for certifying student eligibility. Stony Brook certified 39,877 awards for the three academic years ended June 30, 2011.

Stony Brook is a university within the State University of New York system and is located in Suffolk County on Long Island. Founded in 1957, Stony Brook offers 68 undergraduate majors, 80 minors, and more than 100 master's programs, as well as 40 doctoral programs and 30 graduate certificate programs. Stony Brook's current enrollment is approximately 24,000 students, and its annual tuition for New York State residents is approximately \$6,200.

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

In response to the draft report, HESC officials noted that our audit disallowances pertained to SED regulatory issues. As such, HESC deferred to SED's interpretation of the governing regulations. SED officials agreed with our report's recommendation. Stony Brook officials, however, disagreed with most of our proposed disallowances. Stony Brook officials also addressed their concerns with SED officials. As a result of those discussions, SED officials asked us to reconsider certain disallowances, and we complied with SED's request. Based on SED's guidance, we allowed certain additional awards, and consequently, we reduced the amounts of the proposed disallowances in this final report, as appropriate.

In addition, Stony Brook officials indicated that they had taken several measures to improve the propriety of their TAP certification processes. For example, technical improvements to enhance the programming of the automated TAP certification review process have been made. Further, Stony Brook's internal audit team has implemented quality control checks by auditing samples of TAP records each semester. In addition, changes have been made to better inform students about TAP rules, and policy and procedure improvements involving the Registrar's Office have also been put in place.

## **Audit Results**

The following table summarizes our audit disallowances:

<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	13	\$21,389
Students Not in Good Academic Standing	<u>9</u>	<u>11,829</u>
<b>Total Disallowance from the Sample Period</b>	<b>22</b>	<b>33,218</b>
Minus: Award Disallowed for Multiple Reasons	<u>(1)</u>	<u>(2,388)</u>
<b>Net Disallowance from the Sample Period</b>	<b><u>21</u></b>	<b><u>\$30,830</u></b>
<b>Projected Amount for the Sample Period</b>		<b><u>\$4,109,233</u></b>

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

<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	28	\$37,003
Students Not in Good Academic Standing	20	30,793
Students Not Matriculated	<u>3</u>	<u>4,625</u>
<b>Total Disallowance from Outside the Sample Period</b>	<b>51</b>	<b>72,421</b>
Minus: Awards Disallowed for Multiple Reasons	<u>(7)</u>	<u>(10,774)</u>
<b>Net Disallowance from Outside the Sample Period</b>	<b><u>44</u></b>	<b><u>\$61,647</u></b>

<b>Total Disallowance</b>	
<b>Total Disallowance (Projected Amount + Net Disallowance from Outside the Sample Period)</b>	<b><u>\$4,170,880</u></b>

### ***Students Not in Full-Time Attendance***

Section 661 of the State Education Law (Law) provides for the Commissioner of Education to define full-time attendance. Section 145-2.1 of the Commissioner of Education's Rules and Regulations (Regulations) states, in part, that full-time study at a degree-granting school means 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." Once credit has been earned, if a course is repeated, it is generally no longer required as part of the student's program and therefore cannot be included as part of the student's minimum course load for State financial aid purposes.

We disallowed 41 awards (13 from our statistical sample period and 28 from outside the period) paid on behalf of 31 students who did not meet the full-time requirement. These students enrolled for the full-time number of credits, but did not enroll in at least 12 credits that were applicable to their designated programs and/or repeated courses for which they had already earned credit.

When we discussed these findings with Stony Brook officials, they cited Stony Brook's academic achievements and noted that some of these sampled students entered as freshmen and graduated in eight or less semesters. They added that some of the students also attended summer sessions without receiving TAP.

### ***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 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 charts of satisfactory academic progress approved by SED. A student is pursuing an 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 for the appropriate level of TAP payment.

A student who fails to maintain good academic standing is not eligible for TAP. Students can regain good academic standing by (a) pursuing the program of study in which he or she is enrolled and making satisfactory progress toward the completion of his or her program's academic requirements; or (b) establishing in some other way, to the satisfaction of the commissioner, the ability to successfully complete an approved program (e.g., 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 29 awards (nine from our statistical sample period and 20 from outside the period) that had been paid on behalf of 23 students who did not maintain good academic standing. Twenty-two students did not earn passing or failing grades in enough courses applicable to their designated programs to meet the pursuit of program requirements. The other student did not earn the minimum cumulative grade point average required to maintain TAP eligibility.

In responding to the draft report, officials asserted that Stony Brook had satisfied the intent of the regulations pertaining to pursuit of program. Officials also questioned the projection of disallowances pertaining to improper certifications attributable to the use of an outdated satisfactory academic progress chart. After considering Stony Brook's comments, we concluded that the basis for the majority of the proposed award disallowances (and consequently the related disallowance projection) still remained.

### ***Students Not Matriculated***

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

Students who received their first financial aid payment in the 2007-08 academic year or later must have a certificate of graduation from a high school within the United States 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.

SED officials have advised that New York State residents may not use correspondence or online study to meet secondary education requirements.

We disallowed three awards from outside the sample period paid on behalf of two students who were not properly matriculated.

- One student, who first received TAP in the 2004-05 academic year, had an online high school diploma issued by the State of Mississippi.
- Stony Brook officials were unable to provide proof of high school graduation for the other student, who first received TAP during the 2007-08 academic year.

In responding to the draft report, Stony Brook officials acknowledged that acceptable proof of high school graduation was not retained for one student, and they noted that the other student was a transfer student who received TAP at a previous institution. Nevertheless, without acceptable proof of high school graduation, we maintain that the awards in question should be disallowed.

### **Audit Scope**

According to HESC records as of March 20, 2013, Stony Brook officials certified 39,877 awards totaling \$60.6 million for 12,352 students during the three academic years ended June 30, 2011. We reviewed a statistical sample of 175 awards totaling \$268,599 paid on behalf of 175 students during that period. In addition, we reviewed other awards outside the three-year period through spring 2013 paid to the sample students. These other awards are not included in our projection. 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 Stony Brook, we reviewed management's internal control system relating to its State financial aid operations. 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 school's accounting system and other systems that would support claims for student financial aid. To project our audit disallowance from our sample to Stony Brook's award population, we used a statistically valid sampling methodology with a 95 percent confidence level.

Stony Brook officials are responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Stony Brook'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 State awards were eligible for them. Our objective was not to provide an opinion on Stony Brook's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Stony Brook officials did not always comply with these provisions, as noted in 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 New York State's Tuition Assistance Program.

## **Contributors to the Report**

Major contributors to this report were Cindi Frieder, Gene Brenenson, Rita Verma, Nicholas Angel, Elizabeth McNiff, Farhan Ahmad, Lillian Fernandes, and Ryan Wendolowski.

**Recommendation to the Higher Education Services Corporation**

1. Recover \$4,170,880, plus applicable interest, from Stony Brook for its incorrect TAP certifications.

**Recommendation to the State Education Department**

2. Work with Stony Brook officials to help ensure their future compliance with all of the TAP eligibility requirements cited in this report.

We express our appreciation to the management and staff of Stony Brook for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank Patone, CPA  
Audit Director

cc: Dr. Samuel L. Stanley, Jr., Stony Brook University  
Douglas Panico, Stony Brook University