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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 25, 2016

Dr. Vinton Thompson
President
Metropolitan College of New York
60 West Street
New York, NY 10006

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

Ms. MaryEllen Elia
Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Re: Audit of the State Financial Aid Program
at Metropolitan College of New York
Report 2015-T-7

Dear Dr. Thompson, Ms. Magee, and Ms. Elia:

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

Summary

We tested a random sample of 75 awards certified during the audit period, totaling \$129,460, and determined that Metropolitan's certification procedures substantially complied with the governing Law and Regulations for the transactions tested. We therefore conclude there is a low risk that a significant number of students certified for State financial aid were not eligible

for their awards. However, our tests also disclosed 14 awards totaling \$20,944 that were made to certain sampled students outside of the sampled academic terms (or semesters), which school officials certified in error. The improper awards are summarized in the table on page 3 of this report.

We recommend that Higher Education Services Corporation (HESC) officials recover the \$20,944 from Metropolitan, plus applicable interest, for the incorrect certifications. In addition, we recommend that State Education Department (SED) and HESC officials work with Metropolitan officials to help ensure future compliance with all of the State financial aid requirements cited in our report. We also recommend that Metropolitan officials take steps to ensure full compliance with the Law and Regulations when certifying students for State financial aid.

Background

TAP is the largest student grant program administered by HESC and is designed to help eligible students pay tuition charges in New York-based post-secondary schools. HESC also administers a variety of State scholarship programs. Schools receiving State financial aid payments are responsible for certifying student eligibility. For the three academic years ended June 30, 2014, Metropolitan officials certified 3,718 awards, totaling \$6.63 million, on behalf of 1,560 students.

Metropolitan College of New York, formerly Audrey Cohen College, operates at two locations, one in Manhattan and another in the Bronx. Metropolitan offers degrees in areas such as Business, Healthcare Systems Management, Human Services, and Emergency Management & Business Continuity. The school's year-round operations include three semesters per academic year: Summer, Fall, and Spring. The school's enrollment for the academic year 2015-16 was 575 undergraduate students. The undergraduate tuition for Spring 2016 is \$584 per credit or \$8,760 per term (15 credits).

We provided a draft copy of this report to HESC, SED, and Metropolitan officials for their review and comment. We have considered their comments in preparing this final report. In their response, HESC officials concurred with our recommended disallowances pertaining to: the student who was awarded an excess TAP payment; the student who was not enrolled; and the award not fully credited to a student's account. HESC officials deferred to SED on our other recommended disallowances. SED officials did not address our specific findings, but agreed to work with Metropolitan officials to ensure their future compliance with TAP's governing rules and regulations. Also, Metropolitan officials accepted our audit's findings.

Audit Results

The following table summarizes our audit disallowances:

Reason for Disallowances	Awards	Amount
Students Not Meeting Accelerated TAP Requirements	4	\$5,232
Student Not Demonstrating Academic Preparedness	3	4,538
Students Not in Good Academic Standing	2	3,957
Student Awarded Excess TAP Payments	2	3,156
Student Not Enrolled	1	2,219
Student Not in Full-Time Attendance	1	1,737
Award Not Fully Credited to the Student's Account	<u>1</u>	<u>105</u>
Total Disallowance	<u>14</u>	<u>\$20,944</u>

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

Students Not Meeting Accelerated TAP Requirements

Students are entitled to a prorated annual award paid on a “term” basis. For schools such as Metropolitan, that have continuous enrollment and allow students to attend three semesters in a 12-month period, a TAP payment for the third semester is considered an additional or “accelerated” payment. Section 665(2)(c) of the Education Law (Law) allows students to qualify for an accelerated TAP payment if they earn at least 24 credit hours, or the equivalent, required for their program of study in the two immediately preceding semesters.

We disallowed four awards that had been paid to Metropolitan on behalf of four students who did not meet the requirements for an accelerated TAP payment. All four students earned less than 24 credits applicable to their designated programs in the two consecutive semesters immediately preceding the semester in which they received their accelerated awards.

Student Not Demonstrating Academic Preparedness

Section 661(4)(f) of the Law provides three options for students to demonstrate their academic preparedness. Students who received their first financial aid payment in the 2007-08 academic year and thereafter must have a certificate of graduation from a high school located in the United States; the recognized equivalent (e.g., high school equivalency diploma); or must have achieved a passing score on a federally approved “ability-to-benefit” 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 that had been paid on behalf of one student who did not demonstrate academic preparedness. This student did not have a certificate of graduation from a high school in the United States, or the recognized equivalent, and did not pass an ability-to-benefit examination.

Students Not in Good Academic Standing

According to Section 665(6) of the Law, to qualify for State financial aid, students must be in good academic standing as defined by the Commissioner of Education. To maintain such standing, a student is required by Section 145-2.2 of the Rules and Regulations (Regulations) to pursue the program of study in which he or she is enrolled. 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 (pursuant to Section 145-2.1 of the Regulations) required to qualify for the appropriate level of State aid.

A student who fails to maintain good academic standing is not eligible for State financial aid. However, a student 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 waiver, remaining out of school for at least one calendar year, or transferring to another institution).

We disallowed two awards that were paid on behalf of two students who did not maintain good academic standing. These students did not earn passing or failing grades in a sufficient number of courses applicable to their designated programs to meet the pursuit of program requirements.

Student Awarded Excess TAP Payments

Section 667(2) of the Law states that students enrolled in two-year programs can receive no more than three years of State financial aid.

We disallowed two awards paid on behalf of one student who received excess TAP payments. The student in question was enrolled in a two-year program at Metropolitan and had already received three years of State financial aid before being certified by Metropolitan. HESC appropriately denied the initial TAP payment to Metropolitan. However, for the next two semesters (the Summer and Fall of 2012), Metropolitan officials inappropriately indicated to HESC that this student was pursuing a bachelor's degree when the student was actually still pursuing an associate's degree. As a result, the student improperly received a fourth year of TAP awards in pursuit of an associate's degree. Further, according to school records, the student eventually earned an associate's degree after completing the Fall 2012 semester and started to pursue a bachelor's degree in the Spring of 2013.

Student Not Enrolled

To qualify for State financial aid, the Law requires the student to be matriculated in an approved program and in attendance. Section 665(3)(a) states that institutions should certify student eligibility for a term only when the student has incurred a full tuition liability for that term and has satisfied all other eligibility requirements.

We disallowed one award that had been paid on behalf of a student whom school officials certified as TAP eligible for one semester in which the student did not attend the school or enroll in any classes. School officials reported to HESC that they had charged the student \$8,190 in tuition during the semester in question; however, no tuition was in fact charged.

Student Not in Full-Time Attendance

Section 661(4) of the Law provides for the Commissioner of Education to define full-time attendance. As such, Section 145-2.1 of the Regulations states, in part, that full-time study at a degree-granting school is defined as enrollment in credit-bearing courses, applicable to the student's individual program of study, for at least 12 semester hours for a semester of not less than 15 weeks or its equivalent.

We identified one award that had been paid on behalf of a student who did not meet the full-time requirement. While enrolled for the full-time number of credits, this student did not enroll in at least 12 credits required for her program of study.

Award Not Fully Credited to the Student's Account

Section 2205.3(e)(1)(iii) of the Regulations requires that each student's account be credited within seven days after the receipt of that student's TAP award or within seven days from the date the applicant incurred a full tuition liability for the semester, whichever is later.

We identified one award that had been paid on behalf of one student that was not fully credited to the student's account within the required timeframes. We disallowed the portion of the award that had not been credited timely.

Recommendation to the Higher Education Services Corporation

1. Recover \$20,944, plus applicable interest, from Metropolitan for its incorrect State financial aid certifications.

Recommendation to Metropolitan College of New York

2. Comply with the State Education Law and the Commissioner of Education's Rules and Regulations when certifying students for State financial aid.

Recommendation to HESC and the State Education Department

3. Work with Metropolitan officials to help ensure their future compliance with the HESC and SED State financial aid requirements cited in this report.

Audit Scope

According to HESC records, for the three academic years ended June 30, 2014, Metropolitan officials certified 3,718 awards totaling \$6.63 million to 1,560 students. We reviewed a sample of 75 randomly selected State financial aid awards, totaling \$129,460, paid on behalf of 72 students during that period. We also reviewed other awards paid to our sampled students through the Spring 2015 semester. 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 Metropolitan, 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.

Metropolitan officials are responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Metropolitan'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 Metropolitan's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Metropolitan officials generally complied with these provisions, except 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

We performed this audit pursuant to 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.

Contributors to the Report

Major contributors to this report were Cindi Frieder, Nicholas Angel, Peter Blanchett, Lillian Fernandes, and Amitai Mario Uriarte.

We express our appreciation to management and staff of Metropolitan for the courtesies and cooperation extended to our examiners during this audit.

Very truly yours,

Frank P. Patone, CPA
Audit Director