

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

May 21, 1999

Mr. Richard Mills
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Robert J. Maurer
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: New York University
Report 97-T-6

Dear Mr. Mills and Mr. Maurer:

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 New York University (NYU) for the 1994-95 through 1996-97 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the Education Law (Law), we determined that NYU was overpaid \$677,808 because school officials incorrectly certified students as eligible for TAP awards. We tested the accuracy of NYU's TAP certifications for the three years ended June 30, 1997 using a statistical sample of 200 randomly selected awards of the 25,737 awards that NYU certified. From our statistical sample, we disallowed nine awards totaling \$11,756. 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 \$656,628. We also disallowed one award totaling \$518 based on our review of other awards from outside the sample period. Additionally, we disallowed 13 awards totaling \$20,662 for 13 students in the Dental Assistant Training Program, because their tuition was improperly certified. Therefore, the total audit disallowance is \$677,808. However, NYU officials have decertified \$23,155 of the improperly granted awards. As a result, we recommend that HESC

recover from NYU the total \$654,653 plus applicable interest.

Background

NYU is a private university offering many programs leading to bachelors, masters and doctoral degrees. NYU is made up of 13 schools, colleges and divisions which offer programs in fields including medicine, law, dentistry, business, and arts and science. Most of NYU'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 programs.

We provided a draft copy of this report to SED, HESC and NYU officials for their review and comment. SED and HESC officials agree with our findings. NYU officials disagree with certain findings and raised an objection to SED officials regarding the interpretation of their guidelines for regaining good academic standing and its effect on our use of a statistical projection in determining out audit disallowance. Further meetings were held with SED officials to discuss NYU's objections and consensus was reached that the interpretation of SED's guidelines and the use of these disallowed awards in the statistical projection are appropriate. We have considered the comments of SED, HESC and NYU officials in preparing this report.

Audit Scope

The objective of our financial and compliance audit was to determine whether NYU 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 reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

According to HESC's records, NYU certified 8,064 students for 25,737 TAP awards totaling \$37,004,197 during the 1994-95 through 1996-97 academic years. We selected and reviewed a statistical sample of 200 awards totaling \$283,196 paid on behalf of 197 students for the three-year period ended June 30, 1997. We also reviewed other awards that came to our attention during the audit.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of NYU which are included within our audit scope. These standards also require that we review and report on NYU's internal control system and its compliance with those laws, rules and regulations that are relevant to NYU'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 doing our audit of NYU, we reviewed management’s internal control system. Our audit was limited to a preliminary review of the internal control system to obtain an understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for student financial aid.

NYU management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of NYU’s compliance with certain provisions of the Law and the Regulations. Our objective in performing these tests was to obtain reasonable assurance that the TAP awards NYU received were for eligible students. Our objective was not to provide an opinion on NYU’s overall compliance with the Law and the Regulations.

The results of our tests indicate that, with respect to the items tested, NYU was generally in compliance with the provisions of the Law and the Regulations relating to students’ TAP eligibility, except as noted in the following section of this report.

Audit Disallowances

The following table summarizes the disallowances that resulted from our audit.

<u>Reasons for Disallowances</u>	<u>Number of Awards</u>	<u>Amount</u>	<u>Total</u>
Disallowances from Statistical Sample:			
Students Not in Good Academic Standing	8	\$10,925	
Student Not Meeting Residency Requirement	<u>1</u>	<u>831</u>	
Total Sample Disallowances	<u>9</u>	<u>\$11,756</u>	
Projected Disallowance			\$656,628
Disallowance from Outside Sample Period:			
Student Not in Good Academic Standing	<u>1</u>		518
Disallowances for Dental School:			
Excess Tuition Reported to HESC	<u>13</u>		<u>20,662</u>
Total Audit Disallowance			\$677,808
Less Decertifications			<u>23,155</u>
Net Audit Disallowance			<u>\$654,653</u>

The various types of disallowances are discussed in the following sections of this report. The students' names and related information were provided to NYU officials separately.

Students Not in Good Academic Standing

Criteria - Section 665 of the Law requires that students be in good academic standing to be eligible to receive TAP awards. Section 145-2.2 of the Regulations states that to maintain good academic standing a student must maintain satisfactory academic progress toward completion of a program and pursue the program of study in which he or she is enrolled.

To maintain satisfactory academic progress, a student must accrue at least a certain number of credits and earn at least a certain cumulative grade point average (GPA) as required in NYU's published satisfactory academic progress chart 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 based on the student's TAP payment level.

When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. Students can regain such standing 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 school.

Audit Determination - We identified nine awards paid on behalf of nine students who failed to maintain good academic standing and, therefore, were not eligible for the awards they received. Two students did not accrue enough credits or earn the minimum GPA required on NYU's satisfactory academic progress chart to maintain TAP eligibility. Seven students did not earn passing or failing grades in enough courses to meet the pursuit of program requirement for the payments they received.

School Officials' Position - NYU officials agree that these students were not in good academic standing. However, they do not believe that three students' awards should be disallowed for the subsequent year because the students made up their deficiencies at their own expense in the following semester, as permitted by the Regulations. These students used other funds, in addition to their TAP awards, to pay their tuition for the next semester. In each case, the other funds these students used, paid for enough courses for the students to make up their deficiency. Therefore, the students should be eligible for the awards they received.

Auditors' Comments - We acknowledge that the three students used other funds to help pay their tuition in the term after they lost their good academic standing. However, the students also received TAP awards at the same time. As required by the Law, these students had not yet made up their deficiencies without State aid. Therefore, based upon SED's guidance, they were not yet eligible to begin receiving TAP awards for one year.

Student Not Meeting Residency Requirement

Criteria - Section 661 of the Law states “. . . an applicant for an award at the undergraduate level of study must . . . have been a legal resident of the state for at least one year immediately preceding the beginning of the semester, quarter or term of attendance for which an application for assistance is made . . .”

Audit Determination - We disallowed one TAP award paid to a student who did not meet the residency requirement, because the student was a resident of Connecticut.

School Officials' Position - NYU officials agree with the finding and have decertified this student's awards.

Auditors' Comments - We will subtract these decertified awards from the total audit disallowance to be repaid to HESC.

Excess Tuition Reported to HESC

Criteria - Section 665(3)(a) of the Law requires that institutions accurately report to HESC the tuition charged to a student so that the students's TAP award can be accurately determined.

Audit Determination - One of the students in our sample withdrew from her program within the first week of the semester and received a full tuition refund. However, NYU officials had certified to HESC that this student paid full-time tuition. As a result, NYU received a TAP award on this student's behalf. This student was enrolled in the Dental Assistant Training Program which operates on a different academic calendar than other NYU programs. The Dental Program started later than the other programs and as a result, when NYU's TAP certification review was completed, the Dental students were only in their first week of school. Therefore, NYU's TAP certification process identified this student as in full-time attendance and having been charged full-time tuition. Subsequent to the TAP certification, this student withdrew from the Dental Program and therefore she was not eligible for the TAP award she received for that semester.

To determine whether other similar errors were made for other Dental Program students during our audit period, NYU officials verified the TAP awards certified during the period for the students in the Dental Program. We found that a total of 13 students had withdrawn with a full tuition refund but were certified as having paid full tuition. These students received TAP awards totaling \$20,662 which were credited to the students' accounts. We disallow all 13 awards.

School Officials' Position - NYU officials agree with these disallowances and have taken steps to improve their controls over the tuition reported to HESC for students in the Dental Assistant Training Program. In addition, the officials stated that they submitted change forms to decertify these 13 TAP awards.

Auditors' Comments - We have verified with HESC that the awards were decertified, therefore, we will subtract the amount of these awards from the total disallowance that should be repaid to HESC.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$654,653, plus applicable interest from NYU for its incorrect TAP certifications.*
2. *Ensure that NYU officials accurately report students' tuition charges.*

Recommendation to the State Education Department

Ensure that NYU complies with the SED regulations cited in this report.

Major contributors to this report were Frank Russo, Kenneth I. Shulman, April Neitlich, Yelena Feldman, Denise Felix and Donald Collins.

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

Yours truly,

Jerry Barber
Audit Director

cc: L. Jay Olivia, Ph.D.
Charles Conaway