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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 11, 2017

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

Dr. Marcia Keizs
President
CUNY York College
94-20 Guy R. Brewer Boulevard
Jamaica, NY 11451

Re: Audit of the State Financial Aid Program
at CUNY York College
Report 2016-T-1

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

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 York College (York) officials complied with the State Education Law (Law) and the Commissioner of Education's Rules and Regulations (Regulations) when certifying students for State financial aid.

Summary

We tested the accuracy of York's TAP certifications by reviewing a statistical sample of 75 randomly selected awards, totaling \$141,672, issued during the three academic years ended June 30, 2014. We determined that York was overpaid a total of \$83,956 because its financial aid staff incorrectly certified certain students as eligible for State financial aid.

We disallowed three of the sampled awards totaling \$6,570. The disallowed awards include those made on behalf of two students who were not full time and a student who was not matriculated. Our statistical projection of these three awards to the school's award population for the three-year review period results in an audit disallowance of \$72,788. We also disallowed another six awards, totaling \$11,168, relating to awards made on behalf of some of the sampled students outside of the three-year review period (both prior to July 1, 2011 and after June 30, 2014).

We recommend that the Higher Education Services Corporation (HESC) recover from York the \$83,956 in overpayments, plus applicable interest, for its incorrect certifications (see table on page 3). We also recommend that State Education Department (SED) and HESC officials work with York officials to help ensure their future compliance with all of the State financial aid requirements cited in our report. We further recommend that York officials take steps to comply with the Law and Regulations regarding certification of students for State financial aid.

In addition, under York's grading policy, when a student who has less than 28 credits fails a 100-Level course (generally an entry- or lower-level course), the "F" grade is automatically converted to an "NC" (no credit) grade on his/her transcript. Students can receive an NC grade up to two times for a particular course. York's catalog states that other colleges, universities, agencies, and institutions may interpret the NC grade as a failure. Although York's policy equates an NC grade as an F when determining Dean's List and graduation honors, it omits NC grades when calculating a student's grade point average (GPA), a primary factor for determining TAP eligibility. If several of the sampled students we examined did not have their F grades converted to NCs, those students would not have been eligible for their TAP awards. Consequently, we question whether York's policy is consistent with the intent of the applicable TAP requirements and recommend that SED and HESC formally review and resolve this matter in consideration of future TAP award certifications at York, as well as other institutions approved for TAP funding.

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 in postsecondary New York schools. HESC also administers a variety of State scholarship programs. Schools receiving State financial aid payments are responsible for certifying student eligibility. York officials certified 17,517 awards for the three academic years ended June 30, 2014.

York is a senior college within the City University of New York (CUNY). It was founded in 1966 and is located on a 50-acre campus in Jamaica, Queens. York offers baccalaureate degrees in the liberal arts and sciences, business, health, teacher education, and other professional programs. York is also home to the CUNY Aviation Institute and the Northeastern Regional Laboratory of the U.S. Food and Drug Administration. Annual tuition for a full-time student is approximately \$6,330. For the spring 2016 semester, York enrolled approximately 6,770 undergraduate students.

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

In their response, HESC officials: agreed with our finding and disallowance regarding the Award Not Fully Credited to a Student's Account; deferred to SED for the remaining disallowances; and did not address York's NC grade designation. SED officials agreed with our findings and disallowances and also agreed to review York's NC grade policy and assess its effect on TAP. York officials agreed with our recommended disallowances and stood behind their current NC grading policy.

Audit Results

We identified disallowances totaling \$83,956, as summarized in the following table:

Disallowed Payments During the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Full-Time Attendance	2	\$4,415
Student Not Matriculated	<u>1</u>	<u>2,155</u>
Total Disallowance from the Sample Period	<u>3</u>	<u>\$6,570</u>
Projected Amount for the Sample Period		<u>\$72,788</u>

Disallowed Payments Outside the 3-Year Sample Period		
Reason	Awards	Amount
Students Not Matriculated	3	\$5,738
Students Not in Full-Time Attendance	2	4,319
Award Not Fully Credited to Student's Account	<u>1</u>	<u>1,111</u>
Total Disallowance from Outside the Sample Period	<u>6</u>	<u>\$11,168</u>

Total Disallowance	
Total Disallowance (Projected Amount + Net Disallowance from Outside the Sample Period)	<u>\$83,956</u>

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

Students Not in Full-Time Attendance

Section 661 of the Law provides for the Commissioner to define full-time attendance. 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 credits for a semester of not less than 15 weeks or its equivalent.

We disallowed four awards (two from our statistical sample period and two from outside the period) paid to York on behalf of four students who did not meet the full-time requirement. These students, while enrolled for the full-time number of credits, did not enroll in at least 12 credits required for their designated program of study.

Students Not Matriculated

Section 661 of the Law requires students to be matriculated in an approved program to be eligible for State financial aid. SED's Memorandum to Chief Executive Officers of Postsecondary Institutions in New York State (No. 84-07) requires baccalaureate degree program students to declare a major by the beginning of their junior year to be considered matriculated for State financial aid purposes. York defines a junior as a student who has accumulated 60 credits.

We disallowed four awards (one from our statistical sample period and three from outside the period) paid on behalf of three students who were not properly matriculated. The three students had not declared their majors until they accumulated 73, 78, and 92 credits, respectively.

Award Not Fully Credited to a Student's Account

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

We disallowed one award, from outside the statistical sample period, that was not fully credited to the student's account for the fall 2014 semester. We disallowed the portion of this award that had not been credited timely.

School officials provided documentation that they posted this fall 2014 award to the student's account on April 15, 2016 – after we told officials that the award was part of our audit sample. Moreover, the student had stopped attending classes at York in fall 2015.

Other Significant Matter

During our review, we observed that York posted NC (no credit) grades to the student transcripts corresponding to several of the awards we tested. Under York's grading policy, students who accumulated less than 28 credits and who failed 100-Level courses (generally entry- or lower-level courses) had their F grades automatically converted to NC grades on their transcript. York allows a student to receive an NC grade up to two times for any particular course. Only the third failure to pass the course is recorded as an F on the transcript. Further, York's catalog states that other colleges, universities, agencies, and institutions may interpret the NC grade as a failure.

Although York's policy counts an NC grade as an F when determining graduation honors and inclusion on the Dean's List, it omits the NC grade when calculating a student's overall GPA, which is a major factor for TAP eligibility. Students must maintain or exceed a prescribed minimum

GPA to be eligible for a TAP award. Because an F grade lowers a student's GPA, it could make a student ineligible for an award. However, by converting the F grade to an NC, the F grade is omitted from the GPA calculation, and the student is thereby more likely to attain TAP eligibility.

We noted that several of the students we sampled would have been ineligible for their TAP awards if their F grades had not been converted to NC grades. The conversion of F grades to NC grades improved the students' GPAs and resulted in material amounts of questionable TAP awards. Moreover, we question whether York's policy is consistent with the intent of the applicable TAP requirements. Consequently, we referred this matter to SED and HESC for their formal review and determination as to the propriety of York's policy for TAP eligibility purposes.

Recommendation to HESC

1. Recover from York the \$83,956 in TAP overpayments, plus applicable interest, as a result of its incorrect State financial aid certifications.

Recommendation to 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 SED

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

Recommendation to SED

4. Formally review and determine if York's NC grading policy is consistent with the intent of the applicable TAP requirements and appropriate for State financial aid purposes.

Audit Scope

According to HESC records, for the three academic years ended June 30, 2014, York officials certified 17,517 awards totaling over \$33.2 million for 7,037 students. We audited a random sample of 75 of these awards (totaling \$141,672) paid on behalf of 75 students to determine whether the awards were certified appropriately. We also reviewed other awards paid to our sampled students through the fall 2015 semester. These other awards are not included in our projection, but are included in our disallowances as appropriate. Our audit did not include a review of HESC processes to determine student award amounts.

Methodology

We conducted our 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 objective. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objective.

In planning and performing our audit of York, 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 York's award population, we used a statistically valid sampling methodology with a 90 percent confidence level.

York officials are responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of York'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 – and not to provide an opinion on York's overall compliance with such provisions. Our audit found that, for the transactions and records tested, York officials generally complied with these provisions, except as noted in the 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, Diane Gustard, Dana Bitterman, Erik Dorfler, Lillian Fernandes, and Linda Thipvoratrum.

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

Very truly yours,

Frank P. Patone, CPA
Audit Director

cc: Ismael Perez, CUNY York College