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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 5, 2013

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

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

Re: Audit of the Tuition Assistance
Program at Plaza College
Report 2011-T-2

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 Plaza College management complied with the Education Law and the Commissioner of Education's Rules and Regulations when certifying students for TAP awards.

Summary

We determined that Plaza College was overpaid \$549,316, as a result of school officials incorrectly certifying certain students as eligible for Tuition Assistance Program (TAP) awards. We tested the accuracy of the school's certifications for the three-year period ended June 30, 2009, by reviewing a sample of 200 randomly-selected awards.

From the sample, we disallowed 17 payments totaling \$38,220 for a variety of reasons, including payments for students who did not meet the full-time attendance requirement and

who were not in good academic standing. Our projection of these 17 awards to the school's TAP payment population for the three-year period results in an audit disallowance of \$527,645. We also disallowed 12 awards totaling \$21,671 from outside the three-year period.

We recommend that the Higher Education Services Corporation (HESC) recover the above noted \$549,316, plus applicable interest, from Plaza College.

Background

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to provide financial assistance to help eligible students pay tuition. Schools receiving TAP payments are responsible for certifying student eligibility.

Plaza College (Plaza) is a private postsecondary educational institution located in Queens County. Plaza offers certificate and degree programs in business, technology and allied health that have been approved by the State Education Department (SED) for tuition assistance eligibility. In September 2006, Plaza converted from four quarter terms to three semesters: fall, winter and spring. Plaza serves approximately 800 students and student tuition is about \$5,000 per semester. For the three academic years ended June 30, 2009, Plaza certified 4,454 TAP awards totalling \$9.4 million relating to 1,859 students.

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

While SED and HESC agree with our report recommendations, Plaza officials strongly disagree with many of our findings as well as SED's interpretation of the governing regulations supporting our findings. To support their disagreement, they reiterated several of the explanations already included in our report and submitted additional related documents (e.g., updated student transcripts, etc.) and explanations. These additional documents and explanations caused us to revise one minor disallowance outside of the sample period.

In addition, Plaza officials requested further clarification of the processes and information used by our auditors to reach several of our report conclusions. During our fieldwork we provided Plaza officials with detailed worksheets for each disallowance and held several meetings explaining our report findings; we are providing them with additional information in response to their request.

Audit Results

The following table summarizes our audit disallowance:

Disallowed Payments During the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Full-Time Attendance	11	\$24,828
Students Not in Good Academic Standing	7	15,431
Students Not Meeting Accelerated TAP Requirements	3	6,731
Total Disallowance From the Sample Period	21	46,990
Minus: Awards Disallowed for Multiple Reasons	(4)	(8,770)
Net Disallowance From the Sample Period	17	\$38,220
Projected Amount for the Sample Period		\$527,645

Disallowed Payments Outside the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Full-Time Attendance	7	\$ 9,421
Students Not in Good Academic Standing	5	12,250
Student Not Meeting Accelerated TAP Requirements	1	2,450
Total Disallowance From Outside the Sample Period	13	24,121
Minus: Awards Disallowed for Multiple Reasons	(1)	(2,450)
Net Disallowance From Outside the Sample Period	12	\$21,671

Total Disallowance	
Total Disallowance (Projected Amount + Net Disallowance From Outside the Sample Period)	\$549,316

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) authorizes 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 defined as enrollment for at least 12 semester hours (credits) for a semester of not less than 15 weeks or the 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 18 awards (11 from our statistical sample period and seven from outside the period) paid on behalf of 18 students who did not satisfy the full-time requirement. All 18

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.

Plaza officials disagree with these disallowances as explained in the following bullets:

- They assert that nine of the above noted students entered Plaza without a high school diploma and therefore were required by Section 3.47 of the Rules of the Board of Regents (Section 3.47) to complete 24 core credits in order to be conferred a degree. They maintain that these courses, in addition to those of the registered program, are TAP eligible. In a February 2013 letter to SED, they also wrote, “We believe that when the regulations were changed in 2004, an inconsistency occurred and has not been examined until this point.” They further wrote, “It makes no sense to enroll a student without a high school diploma and have him or her complete only the registered program and not be able to graduate.”

SED officials disagree with Plaza’s position. They explained that Plaza has misconstrued Section 3.47 which specifically relates to the general requirements for an earned degree for certain candidates - and does not address TAP eligibility. In an October 2012 letter regarding this matter, SED officials cite section 661 of the Education Law and section 145-2 of the Commissioner’s Regulations as providing the relevant TAP requirements. Further, in a March 2013 letter to Plaza’s attorney, SED reminded school officials that full-time status is defined as enrollment in “credit-bearing courses applicable to the students’ program of study. Therefore, to the extent that the students’ courses were not applicable to the students’ programs of study, these courses are not TAP eligible.”

Seven of these students were enrolled in Plaza’s 60-credit Office Assistant program, which includes 27 elective credits. Therefore their program provided the opportunity to use these elective credits to, among other things, take courses that might be used toward the “24 core credits.”

- Plaza officials assert that Plaza’s Dean required four of the 18 students to take courses to make up for deficiencies in their academic backgrounds and therefore, the students were TAP-eligible. They indicated that Section 145-2.4(c) of the Regulations permits this practice.

Here too SED officials disagree with Plaza. They assert that the Regulations “do not allow TAP payments for additional courses required by a college outside the registered program requirements.”

- Plaza officials indicated that the school’s transcripts for two other students reflect an incorrect major, explaining that the students had changed programs but the school registrar had not updated their student transcripts. However, the documents Plaza officials provided to us do not support their position.

One of the two students was not eligible for his winter 2009 TAP award because he enrolled in only nine credits required for his associate’s degree program. School officials contend that following the fall 2008 term, the student was actually

enrolled in a bachelor's degree program. However, the student's application for the bachelor's program shows he applied for admission to the program on June 29, 2009. Furthermore, following the fall 2008 term, the student was still taking courses to complete the associate's degree program. In fact, the student's Plaza College transcript reports he was awarded an associate's degree on August 14, 2009.

The second student was not eligible for her winter 2007 award, her final semester, because she had not enrolled in any credits required for her program of study – the Office Assistant certificate. The transcript Plaza officials initially provided to us showed the student earned the Office Assistant certificate in April 2007, at the end of the winter 2007 semester. However, Plaza officials asserted that the student had transferred to the Accounting and Information Systems program at the end of fall 2006. They provided a revised transcript dated August 2012, purportedly to support that position. However, the revised transcript showed the student earned a Junior Accounting certificate following the winter 2007 semester.

- Plaza officials stated that another student's transcript from her previous college was presented after her "schedule and financial aid had been programmed." During the winter 2009 term, the student enrolled in only six credits required for her program of study as her course load included classes for which she received transfer credit. Plaza's files show the school had received copies of the student's prior school transcript in February 2008 and again in April 2008 – well before the term in question. Furthermore, the student enrolled in Plaza College courses during the winter 2008 and fall 2008 semesters and the school received TAP payments on her behalf for those terms.
- Plaza officials stated that they approved two students to enroll in non-required courses as substitutes for required courses. We forwarded the course substitutions to SED for review; SED responded that these courses were not appropriate substitutions. Since these course substitutions were not appropriate, the students did not enroll in sufficient credits applicable to their programs to be eligible for a TAP 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 pursue the program of study in which he or she is enrolled.

A student is pursuing their 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 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 12 awards (seven from our statistical sample period and five from outside the period) that had been paid to Plaza on behalf of nine students who did not maintain good academic standing. These students did not earn passing or failing grades in enough courses applicable to their designated programs to meet the pursuit of program requirements.

Plaza officials disagree with these disallowances, responding with reasons similar to those detailed above in the report section entitled *“Students Not in Full-Time Attendance.”*

Students Not Meeting Accelerated TAP Requirements

Plaza’s academic year comprises three 15-week semesters. Students can receive their annual TAP payment by attending school full-time for two semesters. For schools such as Plaza 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 Law allows students to receive an accelerated TAP payment if they earn at least 24 credits, or the equivalent, in the two immediately preceding semesters. These 24 credits must be required for the student’s program of study.

We disallowed four awards (three from our statistical sample period and one from outside the period) paid to Plaza 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 before the semester in which they received their accelerated awards.

Plaza officials disagreed with our disallowances, once again responding with reasons similar to those cited in our report section entitled *“Students Not in Full-Time Attendance.”*

Other Matters Needing Attention

We referred other issues we identified during the audit, that did not give rise to audit disallowances, to SED officials for their consideration and action. These issues relate to Plaza students’ completion of program requirements.

Audit Scope

We reviewed a statistical sample of 200 TAP awards totaling \$425,404 paid on behalf of 190 students during the three-year period ended June 30, 2009. We also reviewed other awards paid for the sampled students outside the three-year period through winter 2011. The objective of our audit was to determine whether Plaza officials complied with the Education Law and SED’s Rules and Regulations when certifying TAP awards.

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 during our audit provides a reasonable basis for our findings and conclusions based on our audit objective.

In planning and performing our audit of Plaza College, we reviewed management's internal control system over its TAP operations 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. Our audit did not include a review of HESC processes to determine student award amounts.

Plaza management is responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Plaza'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 Plaza's overall compliance with such provisions. Our audit found that, for the transactions and records tests, Plaza generally complied with these provisions, except as noted in this report. We used a 95 percent single-sided confidence level to project our sample period audit disallowances.

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 auditing 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 This Report

Major contributors to this report were Cindi Frieder, Gene Brenenson, Diane Gustard, Irina Kovaneva, Dana Bitterman, Jean-Renel Estime, Lillian Fernandes and Danielle Marciano.

Recommendation to the Higher Education Services Corporation

1. Recover the \$549,316, plus applicable interest, from Plaza College for the incorrect TAP certifications identified in this report.

Recommendation to the State Education Department

2. Ensure that Plaza officials comply with State Education Department requirements relating to full-time attendance, good academic standing, and accelerated TAP payments.

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

Very truly yours,

Frank Patone, CPA
Audit Director

cc: Charles Callahan III, Plaza College
Charles Callahan IV, Plaza College
Tom Lukacs, Division of the Budget