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STATE COMPTROLLER



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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

July 2, 2012

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

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

Re: Audit of the Tuition Assistance  
Program at SBI Campus  
Report 2011-T-1

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 SBI Campus 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 SBI Campus was overpaid \$538,568 because school officials incorrectly certified students as eligible for Tuition Assistance Program awards. We tested the accuracy of the school's certifications<sup>1</sup> for the three-year period ended June 30, 2009, by reviewing a sample of 200 randomly-selected awards. From the sample, we disallowed 37 payments totaling \$40,128 for a variety of reasons, including payments for students who were not in good academic standing or who did not meet the requirements for accelerated TAP. Our projection<sup>2</sup> of these awards to the school's payment population for the three-year period results in an audit disallowance of

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<sup>1</sup> SBI Campus certified 3,483 TAP awards for the academic years 2006-07 through 2008-09.

<sup>2</sup> A 95-percent single-sided confidence level was used.

\$510,003. We also disallowed 21 awards totaling \$28,565 from outside the three-year period. Therefore, we recommend that the Higher Education Services Corporation (HESC) recover \$538,568, plus applicable interest, from SBI Campus.

### Background

SBI Campus (SBI), an affiliate of Sanford Brown Institute, is located in Melville, New York. SBI was formed out of a merger with the Katharine Gibbs School in 2008. SBI offers nine associate degree programs and a medical assistant program that leads to a certificate. SBI offers continuous enrollment and accelerated study for its students. The academic year consists of five 10-week quarters. SBI's current enrollment is approximately 600 students and its tuition for full-time study is about \$4,000 per term.

TAP is the largest of the various student grant and scholarship programs HESC administers. It is an entitlement program designed to provide funds for paying tuition costs to eligible students. Schools receiving TAP payments certify student eligibility.

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

### Audit Results

The following table summarizes the disallowed payments:

<b>Disallowed Payments during the 3-Year Sample Period</b>		
<b>Reason</b>	<b>Awards</b>	<b>Amount</b>
Students Not in Good Academic Standing	19	\$20,496
Students Not Meeting Accelerated TAP Requirements	8	9,993
Students Not Matriculated	5	5,389
Students Not in Full-Time Attendance	3	2,469
Students with Overcertified Tuition	3	1,831
Student Not Meeting Citizenship Requirements	1	1,627
Student Not Meeting Residency Requirements	<u>1</u>	<u>593</u>
<b>Total Disallowance from the Sample Period</b>	<b>40</b>	<b>\$42,398</b>
Minus: Awards Disallowed for Multiple Reasons	<u>(3)</u>	<u>(2,270)</u>
<b>Net Disallowance from the Sample Period</b>	<b><u>37</u></b>	<b><u>\$40,128</u></b>
<b>Projected Amount for the Sample Period</b>		<b>\$510,003</b>

<b>Disallowed Payments outside the 3-Year Sample Period</b>		
<b>Reason</b>	<b>Awards</b>	<b>Amount</b>
Students Not in Good Academic Standing	13	\$17,980
Students Not Meeting Accelerated TAP Requirements	3	4,085
Students Not Matriculated	5	7,467
TAP Awards Not Credited to the Students' Accounts	<u>2</u>	<u>2,013</u>
<b>Total Disallowance from Outside the Sample Period</b>	<b>23</b>	<b>\$31,545</b>
Minus: Awards Disallowed for Multiple Reasons	<u>(2)</u>	<u>(2,980)</u>
<b>Net Disallowance from Outside the Sample Period</b>	<b><u>21</u></b>	<b><u>\$28,565</u></b>

<b>Total Disallowance</b>	
<b>Total Disallowance (Projected Amount + Net Disallowance from Outside the Sample Period)</b>	<b><u>\$538,568</u></b>

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

### **Students Not in Good Academic Standing**

Section 665(6) of the State Education Law (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 Commissioner of Education's Rules and Regulations (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 at least a certain minimum number of credits and earn a specified minimum cumulative grade point average, as required on the school's chart of satisfactory academic progress (SAP Chart) approved by SED.

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.

During the audit period, the school had two SAP charts; one chart approved in 1989 that covered students who received their first State financial payment prior to the 2006-07 academic year and a second less stringent chart covering the remaining students.

We disallowed 32 awards (19 from our statistical sample period and 13 from outside the period) that had been paid on behalf of 18 students who did not maintain good academic standing. All 18 students had first received State financial aid prior to the 2006-07 academic year. Fourteen students did not earn the minimum number of credits required to maintain TAP eligibility. Two students did not maintain the required cumulative grade point average as required on the school's

SAP chart. The remaining two students did not earn the minimum number of credits required and also did not maintain the required cumulative grade point average.

In their response to the draft audit report, SBI officials disagree with the disallowance of 20 awards, paid on behalf of 15 students who had received their first state financial aid payment prior to the 2006-07 academic year. They contend that use of the 1989 SAP chart is inappropriate for students during the 1995 through 2006 years, stating among other things, that the SAP charts published in the school's catalogs and handbooks should be used for determining eligibility prior to 2005.

However, in May 2012, SED officials responded to an inquiry by school representatives, advising them, and this office, that the 1989 SAP chart was appropriate for use since it was the last chart approved by SED until the 2006-07 year. Section 145-2.2 (b) (2) (iv) of the Regulations requires SED approval of school satisfactory academic progress standards. The findings in this audit report are based on the standards approved by SED.

### **Students Not Meeting Accelerated TAP Payment Requirements**

SBI's academic years comprise four or five terms, each lasting 10 weeks, organized on a quarter system. Students can receive their annual TAP payment by attending full-time for three quarters. For schools such as SBI that have continuous enrollment and that allow students to attend four quarters in a calendar year, an additional (accelerated) TAP payment is available to students who enroll in a fourth quarter.

Section 665(2)(c) of the Law allows students to receive an accelerated TAP payment if they earn 24 credit hours in the preceding two semesters or its equivalent. To receive an accelerated TAP payment at SBI, a student must earn 36 quarter credits in the preceding three quarters. The 36 credits must be applicable to the student's program of study.

We disallowed 11 awards (eight from our statistical sample period and three from outside the period) paid on behalf of 11 students who did not satisfy the accelerated TAP payment requirements. These students did not earn 36 quarter credits, including remedial courses, in the three immediately-preceding consecutive quarters. SBI Campus officials agree with these disallowances.

### **Students Not Matriculated**

To be considered matriculated and properly enrolled in an eligible program, 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 United States Secretary of Education, on a federally-approved examination.

Students who received their first financial aid payment in the 2006-07 academic year must have a certificate of graduation from a United States high school or the equivalent, or must have achieved a passing score on a federally-approved examination that has been independently administered and evaluated.

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

For students who have graduated from a high school in another state, the certificate of graduation must be from a secondary school that is recognized, authorized, or approved by the state educational entity having jurisdiction.

We disallowed 10 awards (five from our statistical sample period and five from outside the period) paid on behalf of four students who were not properly matriculated.

- One student with foreign high school credentials received his first TAP award in the 2007-08 academic year and the school did not provide documentation that this student took a federally-approved examination or had earned a GED. School officials did not contest this disallowance.
- The second student was home schooled and presented a diploma from a private high school with a Florida address. SBI officials disagree with this disallowance, stating that the school is registered as a private school with the Florida Department of Education. However, SBI officials did not provide evidence that the school is actually recognized, authorized or approved by that state. HESC states that students who graduate from an out-of-state school that is not recognized or authorized by the state where the school is located must use another option to establish eligibility for State financial aid.
- The third student had taken an ability-to-benefit (ATB) examination, but did not achieve a passing score on all three parts of the examination in one sitting. Section 145-2.15(e)(1)(ii)(e) of the Regulations requires ATBs be scored in accordance with the test publisher's instructions – which require students to meet the minimum passing score on all parts in a single test administration. School officials disagree with this disallowance, responding that they have provided supporting documentation.
- School officials assert that the fourth student had taken and passed an ATB. However to substantiate this claim, they provided an untitled Excel spreadsheet which contained student scores – but which did not indicate the source of the information. They were unable to provide independent documentation from the testing entity substantiating the score, as they had done for other students. A school official stated that SBI Campus no

longer uses the testing entity that administered the exam and therefore could not obtain that information.

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

Section 661 of the Law requires the Commissioner of Education to define full-time attendance. Section 145-2.1 of the Commissioner's Regulations states, in part, that full-time study at a degree-granting school is enrollment for at least 12 semester hours for a semester of not less than 15 weeks or its equivalent. The SBI academic year is divided into quarters, each lasting about 10 weeks. Full-time status is generally enrollment in 12 quarter credits during a quarter term.

We disallowed three awards from our statistical sample period paid on behalf of three students whom school officials certified as full-time although these students did not meet the full-time requirement. The transcripts for all three indicate that they did not enroll in at least 12 credits. One student enrolled in six credits, another enrolled in seven credits and the third student enrolled in nine credits.

School officials did not dispute these allowances.

### **Students with Overcertified Tuition**

Section 2205.3(b) of the Regulations requires that participating institutions certify to HESC the actual amount of tuition liability charged each student receiving a TAP award.

We disallowed one sample term award and partially disallowed two others from the statistical sample period. These awards were paid on behalf of three students for whom the school reported a higher tuition amount to HESC than was actually charged. Had the school reported the correct tuition charge, the students would have been entitled to a reduced TAP award or none at all.

SBI Campus officials did not dispute these disallowances.

### **Student Not Meeting Citizenship Requirements**

Section 661 of the Law states that an applicant for a TAP award must be a citizen of the United States, an alien lawfully admitted for permanent residence in the United States, or an individual of a class of refugees paroled by the attorney general of the United States under his parole authority pertaining to the admission of aliens to the United States.

We disallowed one award from the sample period paid on behalf of a student who did not meet the citizenship requirements.

SBI Campus officials did not dispute this disallowance.

### **Student Not Meeting Residency Requirements**

Section 661 of the Law requires that an applicant for a TAP award at the undergraduate level of study be a legal resident of New York State for at least one year immediately preceding the beginning of the semester or quarter for which an award is made, or be a legal resident of New York State and have been a legal resident during the last two semesters of high school. HESC's Manual of Programs and Procedures requires that institutions should not certify any student whose State residency is questionable.

We disallowed one sample term award that had been paid on behalf of a student for whom we found insufficient proof that the student satisfied the New York State residency requirement. SBI records indicated the student lived in another state less than one year prior to her TAP award.

SBI Campus officials did not dispute this disallowance.

### **TAP Not Credited to Students' Accounts**

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

We disallowed two awards from outside the sample period that had not been credited to the accounts of two students. Since SBI did not distribute the funds properly so that the students could benefit from them, we are disallowing these awards.

SBI Campus officials did not dispute these disallowances.

### **Audit Scope**

According to HESC records, SBI Campus officials certified 3,483 TAP awards totaling \$3,951,409 that were paid to the school for 1,100 students during the three academic years ended on June 30, 2009. We reviewed a statistical sample of 200 TAP awards totaling \$225,577 made on behalf of 185 SBI Campus students during that period. We also reviewed other awards outside the three-year period that came to our attention during the audit. 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 SBI Campus, we reviewed management's internal control system. 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 colleges' accounting system and other systems that would support claims for student financial aid.

SBI Campus management is responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of SBI Campus 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 SBI Campus overall compliance with such provisions. Our audit found that, for the transactions and records tests, SBI Campus 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**

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 the Tuition Assistance Program.

### **Contributors to the Report**

Major contributors to this report were Cindi Frieder, Gene Brenenson, Diane Gustard, Dana Bitterman, and Carole LeMieux.

### **Recommendations to the Higher Education Services Corporation**

1. *Recover \$538,568, plus applicable interest, from SBI Campus for its incorrect TAP certifications.*
2. *Ensure SBI Campus officials comply with requirements relating to certifying accurate tuition amounts, crediting TAP awards and verifying students' residency and citizenship.*



## **Recommendation to the State Education Department**

*Ensure SBI Campus officials comply with the State Education Department requirements relating to matriculation, full-time attendance, good academic standing, and accelerated TAP payments cited in this report.*

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

Very truly yours,

A handwritten signature in black ink, appearing to read "John F. Buyce". The signature is fluid and cursive, with a large initial "J" and "B".

John F. Buyce, CPA, CIA, CGFM  
Audit Director

cc: Eric Ricioppo, SBI Campus  
Marlin Fokusorgbor, SBI Campus  
Tom Lukacs, Division of the Budget