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OFFICE OF THE STATE COMPTROLLER

December 18, 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 Pace University
(Manhattan Campus)
Report 2012-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 Pace University management complied with the Education Law and the Commissioner of Education's Rules and Regulations when certifying students for TAP awards. Our audit did not include a review of HESC processes to determine student award amounts.

Summary

We determined that Pace's certification procedures are appropriately designed and were substantially complied with during the audit period for the transactions we tested. We therefore concluded there is not a high risk that a significant number of students certified for TAP are in fact not eligible for awards. However, our tests did disclose ten awards totaling \$21,236 that school officials certified in error. We recommend that the Higher Education Services Corporation (HESC) recover \$21,236, plus applicable interest, from Pace University.

Background

Pace University (Pace), a private university located in New York City and Westchester County, offers a wide range of academic and professional programs. Pace currently has more than 14,000 students in bachelors, masters, and doctoral programs. Its annual undergraduate tuition for full-time study is currently \$35,320. According to HESC records, Pace officials certified 6,994 TAP awards totaling \$11.2 million that were paid to the school for 2,387 Manhattan campus students during the three academic years ended on June 30, 2010.

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, the State Education Department (SED) and Pace officials for their review and comment. We have considered their comments in preparing this audit report. Pace officials agreed with our adjustments and submitted an action plan to address the problems cited in this report.

Audit Results

The following table summarizes the disallowed payments:

| <u>Disallowed Payments</u> | | |
|--|------------------|------------------------|
| Reasons | Awards | Amount |
| Students Not in Good Academic Standing | 6 | \$14,218 |
| Students Not Matriculated | 2 | 4,900 |
| Students Not in Full-Time Attendance | <u>3</u> | <u>4,568</u> |
| Total Disallowance | 11 | \$23,686 |
| Minus: Award Disallowed for Multiple Reasons | <u>(1)</u> | <u>(2,450)</u> |
| Net Audit Disallowance | <u>10</u> | <u>\$21,236</u> |

The reasons for 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

We disallowed six awards that had been paid on behalf of three students who did not maintain good academic standing. Two students did not earn the minimum number of cumulative credits required to maintain TAP eligibility and the third student did not earn passing or failing grades in enough courses, applicable to her major, to meet the pursuit of program requirements.

Student Not Matriculated

We disallowed two awards paid on behalf of a student who was not properly matriculated. School officials did not provide evidence of high school graduation or the equivalent for this student. The student received her first financial aid payment in the 2003-04 academic year.

Student Not in Full-Time Attendance

We disallowed three awards paid on behalf of three students who did not meet the full-time requirement. Two students repeated courses for which they had already earned credit and the third student only enrolled in six credits.

Audit Scope

Our audit encompassed the 6,994 TAP awards totaling \$11.2 million that were certified by and paid to Pace for 2,387 Manhattan campus students during the three academic years ended on June 30, 2010. We reviewed a sample of 55 randomly-selected TAP awards totaling \$91,888 paid on behalf of students during that period. We also reviewed other awards 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 Pace, 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 college's accounting system and other systems that would support claims for student financial aid.

Pace management is responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Pace'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 audit found that, for the transactions and records tested, Pace 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 This Report

Major contributors to this report were Cindi Frieder, Gene Brenenson, Nicholas Angel, Lillian Fernandes, and Jean-Renel Estime.

Recommendation to the Higher Education Services Corporation

1. Recover from Pace University the \$21,236 paid for these awards, plus applicable interest.

We extend our appreciation to management and staff of Pace University for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,



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

cc: Stephen Friedman, Pace University
Miguel Gonzalez, Pace University
Thomas Lukacs, Division of the Budget