

THOMAS P. DiNAPOLI
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 25, 2010

Dr. David Steiner
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: Hunter College
Report 2009-T-3

Dear Dr. Steiner and Ms. Magee:

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 Hunter College (Hunter) for the 2005-2006 through 2007-2008 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3) (b) of the New York State Education Law (Law), we determined that Hunter was overpaid \$1,370,649 because school officials incorrectly certified 13 students as eligible for 18 TAP awards. We tested the accuracy of the 31,598 TAP certifications the school awarded for the three-year period ended June 30, 2008, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed 12 awards totaling \$17,177. 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 \$1,359,699. We also disallowed 6 awards totaling \$10,950 based on our review of other awards, from outside the statistical sample period for the students in our random sample. These awards were not projected to the population. Therefore, we recommend that HESC recover a total of \$1,370,649 (\$1,359,699 and \$10,950) plus applicable interest, from Hunter.

Background

Hunter College, a senior college in the City University of New York (CUNY) system, is located in Manhattan, New York City. It offers undergraduate and graduate degrees in a variety of programs that are approved by the New York State Education Department (SED) for Tuition Assistance Program (TAP) eligibility. Hunter College has an enrollment of approximately 21,000 students of which about 15,500 are undergraduate students.

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 eligible programs.

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

Audit Scope, Objective, and Methodology

The objective of our performance audit was to determine whether Hunter's 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 a review of the process HESC follows in determining the amount of such awards.

According to HESC records, Hunter officials certified 31,598 TAP awards totaling more than \$43 million that were paid on behalf of 11,273 undergraduate students during the three academic years that ended June 30, 2008. We reviewed a statistical sample of 200 awards totaling \$279,208 that were made to 199 undergraduate students during that period. We also reviewed other awards that came to our attention during the audit.

In planning and performing our audit of Hunter, 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.

Hunter's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Hunter'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 Hunter's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Hunter generally complied with these provisions, except as noted in the following sections of this report.

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 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 management functions do not affect our ability to conduct independent audits of program performance.

Audit Results

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 the Statistical Sample:			
Students Not in Full-Time Attendance	4	\$5,602	
Students Not in Good Academic Standing	5	7,031	
Students Not Citizens	<u>3</u>	<u>4,544</u>	
Total Disallowances from the Sample Period	<u>12</u>	<u>\$17,177</u>	
Projected Amount			\$1,359,699
Disallowances from Outside the Statistical Sample Period:			
Student Not in Full-Time Attendance	1	\$1,863	
Student Not in Good Academic Standing	1	1,087	
Students Not Citizens	<u>4</u>	<u>8,000</u>	
Total Disallowances from Outside the Sample Period	<u>6</u>	<u>\$10,950</u>	<u>\$10,950</u>
Total Audit Disallowances			<u>\$1,370,649</u>

The disallowances are discussed in the following paragraphs. Students' names and related information were provided separately to Hunter officials.

Students Not in Full-Time Attendance

Criteria - Section 661 of the New York State Education Law (Law) requires that students be in full-time attendance to be eligible for their TAP awards. Section 145-2.1 of the Regulations states, in part, that full-time study for a semester-based program at a degree-granting school is defined as enrollment for at least 12 semester hours during a semester of not less than 15 weeks or its equivalent.

SED's Chief Executive Officers' Memorandum (CEO) 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." It further states that, "if a student repeats a course in which a passing grade acceptable to the institution has already been received, the course cannot be included as part of the student's minimum full-time course load for financial aid purposes."

Beginning in January 2000, Hunter discontinued offering admission to students that did not pass all three CUNY Skill Assessment tests, unless the students are English as Second Language (ESL) students. According to Hunter's academic policy ESL students are only allowed to take two semesters of remedial courses.

Audit Determination - We disallowed five awards (four awards from our statistical sample period and one from outside this period) paid on behalf of five students that did not meet the full-time requirement since the students were not enrolled for a minimum of 12 semester hours creditable toward their degrees. For four of these students, their courses could not be included as part of their minimum full-time requirement since the students repeated courses they had passed in previous semesters. The remaining student was admitted to Hunter as an ESL student and enrolled for three semesters of remedial courses. The remedial credit-hours the student took in the third semester could not be used to meet the student's full-time requirement because the student had already exceeded the allowable number of semesters of remedial courses.

School Officials' Position - School officials agree with the disallowances for three of these students. For the other two students the officials believe that the students were allowed to repeat courses since the grades the students received were not considered passing grades in the programs the students were enrolled in.

Auditors' Comments - We disagree with school officials' position. Hunter's school catalog does not indicate that a "C" in Math 150 is required for the pre-nursing program. Although the school catalog indicates that Biology 122 is a required course for a psychology major, the catalog does not indicate that a "C" is required for passing. Since these students were not required to repeat these courses, the courses could not count towards the students' minimum full-time course load. As a result, the students were not eligible for their TAP awards as they did not meet the full time requirement.

Students Not in Good Academic Standing

Criteria - Section 665 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 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 a certain minimum number of credits and earn a specified minimum cumulative grade point average (GPA) as required on the chart of satisfactory academic progress published by the school and 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 required to qualify for the appropriate level of TAP payment. Additionally, according to CEO No. 86-17, a course in which an acceptable grade had already been earned cannot be considered in determining whether a student has met the pursuit of program requirement.

Audit Determination - We disallowed six awards (five awards from our statistical sample period and one from outside this period) paid on behalf of six students who did not maintain good academic standing. Five of these students repeated courses they had previously passed, and for which they had already received credits toward their degrees. Since these courses could not be credited again towards their degrees, these students did not earn passing or failing grades in enough courses creditable to their degree to meet the pursuit of program requirements. The other student did not earn the cumulative grade point average as required on the school's chart of satisfactory academic progress to maintain TAP eligibility.

School Officials' Position - School officials agree with the disallowances for two of these students. However, school officials disagree with the disallowances for the other four students. Details for these students are as follows:

- For two of these students, school officials believe that the students were allowed to repeat courses since the grades the students received were not considered passing grades in the programs the students were enrolled in.
- For one student, school officials believe that the student was allowed to repeat a previously passed course since the student did not receive a TAP award for the semester the original course was taken in.
- For one student, school officials believe the student's GPA was affected by certain grading policies that need further clarification from SED.

Auditors' Comments -The school catalog does not indicate that the grades the students earned were not acceptable grades for the programs the students were enrolled in at the time the classes were taken. As such, the students were not allowed to repeat these courses. Without these courses the students did not receive a passing or failing grade in a predetermined percentage of the minimum full-time course load required. Therefore, these students were not eligible for their TAP awards.

- The regulations regarding pursuit of program requirements do not make exceptions for

courses that are taken in semesters where no TAP awards are granted.

- We calculated the student's GPA using the grades on the student's transcript. Since the student did not earn the required GPA the student was not eligible for the TAP award.

Students Not Meeting Citizenship Requirements

Criteria - 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.

Audit Determination - We disallowed seven awards (three awards from our statistical sample period and four from outside this period) paid on behalf of three students that did not meet the citizenship or immigration status requirements to qualify for State aid. One of these students was staying in the United States on an expired tourist visa during the semester she was granted aid. Another student claimed that she applied to the United States Immigration and Naturalization Service (INS) to obtain the appropriate immigration status, however, the student's file contains information that shows the INS denied the student for federal aid. The remaining student received the award prior to becoming a legal immigrant of the United States.

School Officials' Position - School officials agree with these disallowances.

The Impact of the No Credit (NC) Grading Option at Hunter

Hunter has a grading policy that allows students to take courses on a credit (CR)/no credit (NC) basis where the student receives these grades in place of letter grades. The CR grade is the equivalent of an "A", "B" or "C" grade, while the NC grade is given for academic grades of "D" or "F". Students are allowed to take a maximum of four courses on a CR/NC basis. If a student does not exceed the four course maximum these grades would not impact the student's GPA since the CR/NC grades would not be averaged into the student's cumulative GPA. According to Hunter's grading policy, if students request to receive CR/NC grades after they exceed the four course maximum, the CR grades are supposed to be converted to "C" grades and the NC grades are supposed to be converted to "F" grades. However, we found five students where the Registrar's Office did not convert the students' NC grades to "F" grades even though the students exceeded the maximum number of courses allowed under the CR/NC grading option. We re-calculated the students' GPA's using the appropriate letter grade. Although there was no impact on these students' eligibility for their TAP awards since the students still earned the required minimum GPA's, Hunter officials should follow the established grading policy to ensure that other students' TAP eligibility is not affected in the future.

Recommendations to the Higher Education Services Corporation

1. *Recover the \$1,370,649 plus applicable interest from Hunter for its incorrect TAP certifications.*
2. *Ensure that Hunter officials comply with the Higher Education Services Corporation requirements relating to United States citizenship.*

Recommendation to the State Education Department

Ensure that Hunter officials comply with the State Education Department requirements relating to full-time attendance, good academic standing and grading policies.

Major contributors to this report were Dennis Buckley, Mostafa Kamal, Joe Giaimo and Brenda Maynard.

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

Very truly yours,

Steven E. Sossei, CPA
Audit Director

cc: Jennifer J. Raab, Hunter College
Tom Lukacs, Division of the Budget
Gordon Taylor, CUNY



May 11, 2010

Mr. Steven E. Sossei
Audit Director
Office of the State Comptroller
Division State Services
State Audit Bureau
110 State Street, 11th Floor
Albany, New York 12236

RE: Hunter College
TAP Audit No. (2009-T-3)

Dear Mr. Sossei:

HESC has reviewed the New York State Comptroller's draft Preliminary TAP Audit Report No. 2009-T-3 regarding Tuition Assistance Program (TAP) payments at Hunter College for the 2005-2006 through 2007-2008 academic years. HESC offers the following comments:

Two disallowance areas are State Education Department (SED) regulatory issues: Students Not in Good Academic Standing; Students Not in Full-Time Attendance. As these matters involve the interpretation of SED regulations, HESC will defer to SED's response. For matters involving HESC regulatory issues, HESC offers the following comments:

Students Not Meeting Citizenship Requirements

Education Law §661 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. HESC concurs with any and all audit disallowances based upon an applicant receiving a TAP award who did not meet citizenship requirements.

HESC will defer to SED's response to the other matter needing attention that was cited in this draft: No Credit Grading Option.

Thank you for your consideration of these comments.

Sincerely,

Joseph A. Bradley
Director, Office of Counsel &
Regulatory Compliance

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April 26, 2010

Mr. Steven E. Sossei, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Dear Mr. Sossei:

I am responding to your letter of March 4, 2010 regarding the Office of the State Comptroller's (OSC) draft audit report (2009-T-3) on the administration of the Tuition Assistance Program at Hunter College. The following is the New York State Education Department's (SED) response to OSC's recommendations.

Recommendation – Ensure that Hunter officials comply with the State Education Department requirements relating to full-time attendance, good academic standing and grading policies.

We agree with this recommendation. The State Education Department will provide guidance to Hunter College officials to ensure that the College complies with requirements relating to full-time attendance, good academic standing and grading policies.

Questions regarding this matter should be directed to Kathleen Clarity in the Teacher Development Programs Unit of the Office of K-16 Initiatives and Access Programs at (518) 486-6042, or via E-mail to kclarity@mail.nysed.gov.

Sincerely,

A handwritten signature in cursive script that reads "Theresa E. Savo".

Theresa E. Savo

c: Kathleen Clarity
James Conway