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STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

October 28, 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: Long Island Business Institute  
Report 2009-T-6

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 Long Island Business Institute (LIBI) 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 LIBI was overpaid \$7,500 because school officials incorrectly certified three students as eligible for four TAP awards. Therefore, we recommend that HESC recover a total of \$7,500 plus applicable interest from LIBI.

**Background**

Long Island Business Institute (LIBI) is a degree granting private, for-profit institution located in Suffolk and Queens Counties, New York. LIBI began in 1968 as a court reporting school in Commack, Long Island and was authorized to grant certificates, diplomas and associate degrees in occupational studies in 1996. In 2003 LIBI was authorized to open a branch campus

in Flushing, Queens. In January 2008, the New York Board of Regents approved the Flushing location as the main campus and the Commack location as the branch campus.

Currently, LIBI reports an enrollment of 950 students. The Commack campus offers only the court reporting program. The main campus in Flushing offers an Associate in Occupational Studies (AOS) degrees in accounting, business management, and office technologies. The main campus also offers some credit-bearing certificate programs in occupational studies. A majority of the programs at LIBI qualify eligible students for state financial aid. LIBI is accredited by the Accrediting Council of Independent Colleges and Schools and its court reporting program is accredited by the National Court Reporters Association.

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

### **Audit Scope, Objective, and Methodology**

The objective of our performance audit was to determine whether LIBI'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, LIBI officials certified 4,863 TAP awards totaling more than \$10.3 million that were paid on behalf of 2,357 undergraduate students during the three academic years that ended June 30, 2008. We reviewed a statistical sample of 200 awards totaling \$419,995 that were made to 188 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 LIBI, 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.

LIBI's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of LIBI'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 LIBI's overall compliance with such provisions. Our audit found that, for the transactions and records tested, LIBI 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:

<b><u>Reasons for Disallowances</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>
Students Not Matriculated	3	\$6,525
Student Not in Good Academic Standing	<u>1</u>	<u>975</u>
Total Audit Disallowances	<u>4</u>	<u>\$7,500</u>

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

### **Students Not Matriculated**

Criteria: Section 661 of the New York State Education Law (Law) requires students who received their first financial aid payment in academic year 1996-97 through academic year 2006-07 to have a high school diploma or its equivalent or to have achieved a passing score, as determined by the United States Secretary of Education, on a federally approved examination - referred to as Ability-to-Benefit (ATB) test. Beginning in academic year 2007-08, students without a high school diploma or a GED from the United States must pass an approved ATB exam to be eligible for State aid as high school diplomas earned outside of the United States are no longer acceptable.

On October 11, 2002, the State Education Department (SED) issued Chief Executive Officers Memorandum (CEO) No. 6 which addresses issues related to high school completion. SED agreed to accept affidavits provided that institutions assure that affidavits are obtained at the time of admission and are signed by the student, dated, and notarized. According to CEO No.6, affidavits will be acceptable to substantiate high school completion when there is documented evidence that an effort has been made to obtain credentials but extenuating circumstances such as a natural disaster, fire, closing of a school, or other extenuating circumstances made the foreign documents inaccessible.

Audit Determination - We disallowed 3 awards paid on behalf of 2 students who were not properly matriculated. These students provided affidavits and transcript request forms stating that they had graduated from high schools in foreign countries, but these documents were not obtained at the time of admission.

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

### **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 the student 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 as required on the chart of satisfactory academic progress published by the school and approved by SED.

A student who fails to maintain good academic standing loses subsequent TAP eligibility. However, good academic standing can be regained if the deficiencies are made up at the student's own expense, a one-time TAP waiver is obtained, the student remains out of school for at least one calendar year, or transfers to another institution.

Audit Determination - We disallowed one award paid on behalf of a student who failed to maintain good academic standing. This student did not earn the minimum number of cumulative credits required to maintain TAP eligibility.

School Officials' Position - School officials agree with this disallowance.

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

*Recover the \$7,500 plus applicable interest from LIBI for its incorrect TAP certifications.*

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

*Ensure that LIBI officials comply with the State Education Department requirements relating to matriculation and good academic standing.*

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 Long Island Business Institute for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

David R. Hancox, CIA, CGFM  
Director of State Audits

cc: Monica W. Foote, Long Island Business Institute  
Tom Lukacs, Division of the Budget