

H. CARL McCALL
STATE COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 4, 2002

Mr. Richard P. Mills
Commissioner
State Education Department
Education Building
Albany, NY 12234

Mr. Peter J. Keitel
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: ITT Technical Institute - Getzville
Report 2001-T-7

Dear Mr. Mills and Mr. Keitel:

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 ITT Technical Institute - Getzville, New York (ITT) for the 1998-99 through 2000-01 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the New York State Education Law (Law), we determined that ITT was overpaid \$1,675 because school officials had incorrectly certified two students as eligible for TAP awards. Therefore, we recommend that HESC recover the \$1,675 plus applicable interest from ITT.

Background

ITT is a two-year degree-granting college located in Getzville, New York. It is one of a system of 70 technical institutes operated in 28 states by ITT Educational Services, Inc. whose corporate office is in Indiana. ITT offers Associate in Occupational Studies degrees in three technology-oriented programs that are approved by the New York State Education Department (SED) for TAP eligibility.

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 draft copies of this report to SED, HESC and ITT for their review and comment. We have considered their comments in preparing this audit report.

Audit Scope, Objective and Methodology

The objective of our financial and compliance audit was to determine whether ITT'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 reviews of the process HESC follows in determining the amount of such awards.

According to HESC records, ITT officials certified 1,246 TAP awards totaling \$1,757,041 that were paid on behalf of 619 students during the three academic years that ended on June 30, 2001. We reviewed a statistical sample of 200 randomly-selected awards totaling \$279,201 that were made to 176 students during that period. We also reviewed other awards that came to our attention during the audit.

We conducted our audit according to generally accepted government auditing standards. Such standards require us to plan and perform our audit to adequately assess those operations of ITT that are included within our audit scope. These standards also require that we review and report on ITT's internal control system and its compliance with those laws, rules and regulations that are relevant to ITT's operations and are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

In planning and performing our audit of ITT, 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 accounting system and other systems that would support claims for student financial aid.

ITT's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of ITT's compliance with certain provisions of the Law and the 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 ITT's overall compliance with such provisions.

Our audit showed that, for the transactions and records tested, ITT was generally in compliance with these provisions, except as noted in the following sections of this report.

In addition, we found that ITT officials have good controls in place to ensure that, generally, only those students eligible to receive TAP awards were certified for the awards. We determined that ITT maintains a strong control environment. This environment is an element of ITT's internal

control structure and includes among other factors, the philosophy and operating style of its management and the competence and integrity of its staff. The management and staff in the functional areas we reviewed appear to have a good understanding of, and a strong commitment to follow, the Laws and Regulations governing the TAP program.

Audit Disallowances

The following table summarizes the disallowances that resulted from our audit.

<u>Reason for Disallowance</u>	<u>Number of Awards</u>	<u>Amount</u>	<u>Total</u>
Student Not in Good Academic Standing	1	\$1,512.50	
Student Not in Full-Time Attendance	<u>1</u>	<u>162.50</u>	
Total Audit Disallowance	<u>2</u>		<u>\$1,675.00</u>

The disallowances are discussed below. The students' names and related information were provided separately to ITT officials.

Student Not in Good Academic Standing

Criteria - Section 665 of the Law requires students to be in good academic standing to be eligible 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, as required on the chart of satisfactory academic progress published by the college 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. A student who fails to maintain good academic standing loses TAP eligibility. However, good academic standing can be regained if deficiencies are made up at the student's own expense, a TAP waiver is obtained, or 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 had not maintained good academic standing. This student did not earn the specified minimum cumulative grade point average required on the chart of satisfactory academic progress approved by SED.

School Officials' Position – ITT officials agree with this disallowance.

Student Not in Full-Time Attendance

Criteria - Section 661 of the Law requires students to 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 hours per

semester for a semester of 15 weeks or its equivalent. Since ITT's quarter calendar does not conform with the Regulations pertaining to State student aid and the definition of full-time study, SED notified school officials in an April 1996 letter that they would need to link adjacent quarters as simulated semesters for the purpose of determining full-time status. Under this arrangement, full-time study requires students to enroll in a minimum of 18 quarter-hours during a simulated semester.

Audit Determination - We disallowed one award paid on behalf of a student who did not maintain full-time status. This student enrolled in only 16 quarter-hours during the simulated semester, instead of the minimum 18 quarter-hours needed to comply with the full-time attendance requirement.

School Officials' Position – ITT officials agree with this disallowance.

Recommendation to the Higher Education Services Corporation

Recover the \$1,675 plus applicable interest from ITT Technical Institute - Getzville for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that ITT Technical Institute - Getzville complies with the SED requirements relating to good academic standing and full-time attendance cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Maureen Costello and Brittany Hayes.

We wish to express our appreciation to the management and staff of ITT Technical Institute – Getzville for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston
Audit Director

cc: Greg Leis
Lester Burgess
Deirdre A. Taylor