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OFFICE OF THE STATE COMPTROLLER

May 19, 2016

Dr. Sharon B. DeVivo
President
Vaughn College of Aeronautics and Technology
86-01 23rd Avenue
Flushing, NY 11369

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

Ms. MaryEllen Elia
Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Re: Audit of the State Financial Aid Program
at Vaughn College
Report 2015-T-6

Dear Dr. DeVivo, Ms. Magee, and Ms. Elia:

The Office of the State Comptroller audits postsecondary institutions to verify that only eligible students receive State-funded Tuition Assistance Program (TAP) awards and other State financial aid. The objective of this audit was to determine whether officials at Vaughn College of Aeronautics and Technology (Vaughn) complied with the State Education Law (Law) and the Commissioner of Education's Rules and Regulations (Regulations) when certifying students for State financial aid.

Summary

We tested a random sample of 50 awards certified during the audit period, totaling \$99,670, and determined that Vaughn's certification procedures substantially complied with the

governing Law and Regulations. Of the 50 awards tested, only two, totaling \$3,945, were certified in error. As such, we conclude that there is a low risk that a significant number of students certified for State financial aid were not eligible for awards, and therefore, we did not project our sampled findings to the award population. In addition to the two aforementioned improper awards, we also identified other improper awards that were not among those from our random sample of 50 awards. We included those findings in our table of disallowances as presented on page 3 of this report.

We recommend that the Higher Education Services Corporation (HESC) recover from Vaughn the \$34,546 in disallowances illustrated in the table, plus applicable interest, for these incorrect certifications. We recommend that State Education Department (SED) and HESC officials work with Vaughn to help ensure future compliance with all of the State financial aid requirements cited in our report. We also recommend that Vaughn officials take steps to comply with the Law and Regulations when certifying students for State financial aid.

Background

TAP is the largest of the student grant and scholarship programs administered by HESC. It is an entitlement program designed to help eligible students pay tuition charges in New York's postsecondary schools. HESC also administers a variety of State scholarship programs. Schools receiving State financial aid payments are responsible for certifying student eligibility. For the three academic years ended June 30, 2014, Vaughn officials certified 4,317 awards and received approximately \$7.9 million in State financial aid.

Vaughn is a four-year, private institution specializing in aviation, engineering, and technology. Vaughn is located adjacent to LaGuardia Airport in Queens, New York. Previously named The College of Aeronautics, the school was originally founded in 1932. Vaughn is accredited by the Middle States Commission on Higher Education and currently has about 1,500 undergraduate students enrolled. The tuition for a full-time student is \$10,940 per semester.

We provided a draft copy of this report to HESC, SED, and Vaughn officials for their review and formal comment. We considered their comments in preparing this final audit report. In response to our draft report, HESC officials agreed with our disallowance regarding the student who did not meet residency requirements and deferred to SED for all other report disallowances. SED officials agreed with our recommendation to work with Vaughn officials to ensure future compliance with the applicable TAP Law, Rules and Regulations. Vaughn officials agreed with some of our disallowances, but disagreed with others, as detailed in our report. Based on the available evidence, we maintain that the awards in question were improper.

Audit Results

The following table summarizes our audit disallowances:

Reason for Disallowances	Awards	Amount
Students Not in Good Academic Standing	12	\$18,440
Students Not Demonstrating Their Academic Preparedness	5	11,112
Student Not Meeting Residency Requirements	2	5,000
Students Not in Full-Time Attendance	3	4,994
Total Disallowance from the Sample Period	22	\$39,546
Minus: Awards Disallowed for Multiple Reasons	(2)	(5,000)
Net Audit Disallowance	<u>20</u>	<u>\$34,546</u>

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

Students Not in Good Academic Standing

Section 665(6) of the Law requires that students be in good academic standing, as defined by the Commissioner of Education, to qualify for State financial aid. To maintain such standing, a student is required by Section 145-2.2 of the Regulations to pursue the program of study in which he or she is enrolled. A student is pursuing an 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 (pursuant to section 145-2.1 of the Regulations) required to qualify for the appropriate level of State aid.

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 school's SED-approved chart of satisfactory academic progress. A student who fails to maintain good academic standing is not eligible for State financial aid. However, a student can regain good academic standing by either: (a) pursuing the program of study in which he or she is enrolled and making satisfactory progress toward the completion of his/her program's academic requirements; or (b) establishing in some other way, to the satisfaction of the Commissioner, the ability to successfully complete an approved program (e.g., by obtaining a TAP waiver, remaining out of school for at least one calendar year, or transferring to another institution).

We disallowed 12 awards paid on behalf of five students who did not maintain good academic standing. Two students did not earn passing or failing grades in enough courses, applicable to their designated programs, to meet the pursuit of program requirements. The other three students did not earn the required cumulative GPA or cumulative credits.

Vaughn officials disagreed with one of these disallowances. They explained that the student was in the Air Traffic Control Program and, as a result, the ATC240 course we disallowed was required for his program. However, school officials did not provide us with documentation

showing that the student was enrolled in the Air Traffic Control Program. To the contrary, the available documentation indicated that this student's program of study was Aircraft Operations.

Students Not Demonstrating Their Academic Preparedness

Section 661 of the Law provides three options for students to demonstrate their academic preparedness. Students who received their first financial aid payment in the 2007-08 academic year or later must have a certificate of graduation from a U.S. high school; or have the recognized equivalent (e.g., GED); or must have achieved a passing score on a federally approved ability to benefit (ATB) test that has been identified by the Board of Regents as satisfying eligibility requirements and that is independently administered and evaluated.

We disallowed five awards paid on behalf of two students who did not demonstrate academic preparedness. Vaughn officials did not provide us with adequate documentation of either a U.S. high school diploma, the recognized equivalent thereof, or the students passing an approved ATB test.

School officials agreed with these disallowances.

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 (NYS) 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 NYS during his/her last two semesters of high school. HESC's Manual of Programs and Procedures requires institutions to specifically review the eligibility for awards for any student whose NYS residency is questionable and to refrain from certifying such students until their residency has been determined.

We disallowed two awards paid on behalf of a student whose New York State residency requirement was not satisfied. The student graduated from a high school in Colombia, and his Social Security and permanent resident cards, as well as his 2012/13 Institutional Student Information Record (ISIR), indicated that he became a NYS resident in March 2012, just six months before he received his first TAP award in September 2012.

School officials agreed with these disallowances.

Students Not in Full-Time Attendance

Section 661(4) (c) of the Law provides for the Commissioner to define full-time attendance. Section 145-2.1 of the Regulations states, in part, that full-time study at a degree-granting school is defined as enrollment for at least 12 semester hours for a semester of not less than 15 weeks, or its equivalent.

SED's Memorandum to Chief Executive Officers of Postsecondary Institutions in New York

State (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.”

We disallowed three awards paid on behalf of three students who did not meet the full-time requirement. These students, while enrolled for the full-time number of credits, did not enroll in at least 12 credits required for their designated program of study.

Vaughn officials disagreed with two of these disallowances. Again, they contended that the students in question were in the Air Traffic Control Certificate Program and the ATC240 course was a required course for that Program. However, Vaughn officials could not provide us with documentation to confirm that these students were in the Air Traffic Control Program.

Recommendation to Vaughn College

Comply with the State Education Law and the Commissioner of Education’s Rules and Regulations when certifying students for State financial aid.

Recommendation to the Higher Education Services Corporation

Recover \$34,546, plus applicable interest, from Vaughn for its incorrect State financial aid certifications.

Recommendation to the Higher Education Services Corporation and State Education Department

Work with Vaughn officials to help ensure their future compliance with the State financial aid requirements cited in this report.

Audit Scope

According to HESC records, for the three academic years ended June 30, 2014, Vaughn officials certified 4,317 awards totaling approximately \$7.9 million for 1,716 students. We reviewed a sample of 50 randomly selected State financial aid awards, totaling \$99,670, paid on behalf of 50 students during that period. We also reviewed other awards paid to our sampled students through the spring 2015 semester. Our audit did not include a review of HESC processes to determine student award amounts.

Methodology

We conducted our 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, we reviewed Vaughn management's internal control system relating to its State financial aid operations. 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 school's accounting system and other systems that would support claims for student financial aid.

Vaughn officials are responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Vaughn'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 State awards were eligible for them. Our objective was not to provide an opinion on Vaughn's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Vaughn officials 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

We performed our audit pursuant to Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 665(3) of the State Education Law.

Contributors to the Report

Major contributors to this report were Cindi Frieder, Diane Gustard, Dana Bitterman, Linda Thipvoratrum, Erik Dorfler, and David DiNatale.

We express our appreciation to the management and staff of Vaughn for the courtesies and cooperation extended to our examiners during this audit.

Very truly yours,

Frank P. Patone, CPA
Audit Director

cc: Ernie Shepelsky, Vaughn College
Beatriz Novoa-Cruz, Vaughn College