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STATE COMPTROLLER



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STATE OF NEW YORK  
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November 19, 1999

Mr. Richard 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: Marymount Manhattan College  
Report 99-T-3

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 Marymount Manhattan College (MMC) for the 1995-96 through 1997-98 academic years.

**Summary Conclusions**

In accordance with Section 665(3)(b) of the Education Law (Law), we determined that MMC was overpaid \$16,400 because school officials incorrectly certified students as eligible for TAP awards. We tested the accuracy of MMC's TAP certifications for the three years ended June 30, 1998 using a statistical sample of 200 randomly selected awards of the 2,312 awards the school certified. From our statistical sample, we disallowed 10 awards totaling \$10,790. We also disallowed three awards totaling \$5,610 based on our review of other awards from outside the sample period. Therefore, we recommend that HESC recover a total of \$16,400 plus applicable interest from MMC.

## **Background**

MMC is an independent, liberal arts college, one of six founded in the United States by the Religious of the Sacred Heart of Mary. MMC was originally established as the New York City campus of Marymount College of Tarrytown, New York. In 1961, MMC was independently chartered by the New York State Board of Regents and separately incorporated as Marymount Manhattan College. MMC offers Bachelor of Science and Bachelor of Arts degree programs in liberal arts and business, as well as Bachelor of Fine Arts degree programs in acting and dance and a Masters in Business Administration degree program in executive management. All programs offered at MMC are approved by the State Education Department (SED) as TAP eligible.

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 programs.

Draft copies of this report were provided to MMC, SED and HESC officials for their review and comment. We have considered their comments in preparing this report.

## **Audit Scope**

The objective of our financial and compliance audit was to determine whether MMC 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 reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

According to HESC's records, MMC officials certified 2,312 TAP awards totaling \$3,216,360 paid on behalf of 913 students during the three academic years ended June 30, 1998. We reviewed a statistical sample of 200 randomly selected awards totaling \$264,911 paid during that period. We also reviewed other awards that came to our attention during the audit.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of MMC which are included within our audit scope. These standards also require that we review and report on MMC's internal control system and its compliance with those laws, rules and regulations that are relevant to MMC'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 doing our audit of MMC, we reviewed management's internal control system. Our audit was limited to a preliminary review of the internal control system to obtain an

understanding of the environment and the flow of transactions through the accounting system and other systems supporting the claims for student financial aid.

MMC's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of MMC's compliance with certain provisions of the Law and the Regulations. Our objective in performing these tests was to obtain reasonable assurance that the TAP awards MMC received were for eligible students. Our objective was not to provide an opinion on MMC's overall compliance with the Law and Regulations.

The results of our tests indicate that, with respect to the items tested, MMC was generally in compliance with the provisions of the Law and Regulations relating to students' TAP eligibility, except as noted in the following section of this report.

### **Audit Disallowances**

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

<b><u>Reason for Disallowance</u></b>	<b><u>Number of Awards</u></b>	<b><u>Amount</u></b>	<b><u>Total</u></b>
<b>Disallowances from the Statistical Sample:</b>			
Students Not in Good Academic Standing	6	\$8,062	
Student Not a Resident	2	275	
TAP Incorrectly Certified	<u>2</u>	<u>2,453</u>	
Total Sample Disallowances	<u>10</u>		\$10,790
<b>Disallowances from Outside the Statistical Sample Period:</b>			
Students Not in Good Academic Standing	<u>3</u>		<u>5,610</u>
Total Audit Disallowance			<u>\$16,400</u>

The various types of disallowances are discussed in the following sections of this report. The students' names and related information were provided to MMC officials separately.

### **Students Not in Good Academic Standing**

Criteria - Section 665 of the Law requires that students be in good academic standing to be eligible to receive TAP awards. Section 145-2.2 of the Regulations states that to maintain good academic standing a student must maintain satisfactory academic progress toward completion of a program and pursue the program of study in which he or she is enrolled. To maintain

satisfactory academic progress, a student must accrue at least a certain number of credits and earn at least a certain cumulative grade point average as required in the college's published satisfactory academic progress chart 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 based on the student's TAP payment level.

When a student fails to maintain good academic standing, the student loses prospective TAP eligibility. Students can regain good academic standing by making up the deficiencies at their own expense, obtaining a TAP waiver, remaining out of school for at least one calendar year or transferring to another institution.

*Audit Determination* - We identified nine awards paid to six students who failed to maintain good academic standing. Five of these students did not complete enough credits to meet the pursuit of program requirement and one student did not earn the required grade point average to maintain satisfactory academic progress.

*School Officials' Position* - School officials agree with these findings.

#### **Student Not a Resident**

*Criteria* - Section 661 of the Law states "an applicant 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. . . ." It also states ". . . an applicant for an award at the undergraduate level of study must . . . have been a legal resident of the state for at least one year immediately preceding the beginning of the semester, quarter or term of attendance for which application for assistance is made. . . ." HESC's Manual on Programs and Procedures stipulates that institutions should not certify eligibility for State awards for any student whose New York State residence is suspect.

*Audit Determination* - We identified two TAP awards paid to one student who did not meet the residency requirement. Documents in the student's file indicated that the student was not a New York State resident for at least one year prior to receiving her first TAP award.

*School Officials' Position* - School officials agree with this finding.

#### **TAP Incorrectly Certified**

*Criteria* - HESC's Programs, Policies and Procedures manual states that the responsibilities of a school's TAP Certification Officer include attesting to the accuracy of the information submitted to HESC and ensuring that certification activities are carried out in a prompt and timely manner to facilitate delivering awards to students and returning overpayments to HESC.

*Audit Determination* - We identified two awards paid on behalf of two students who MMC officials subsequently determined were not eligible for the awards. Consequently, MMC officials did not post the awards to the students' accounts. However, the awards were not decertified by MMC and the payments were not returned to HESC.

*School Officials' Position* - School officials agree with this finding.

### **Other Matter Needing Attention**

While the following matter does not result in an audit disallowance, it identifies a weakness in MMC's controls which officials should address.

#### **Unneeded Waivers Issued**

*Criteria* - Section 145-2.2(b) of the Regulations states that requirements for program pursuit and satisfactory academic progress ". . . may be waived once for an undergraduate student and once for a graduate student if an institution certifies, and maintain documentation, that such waiver is in the best interest of the student."

*Audit Determination* - MMC granted waivers to three students in our sample who did not need waivers. According to the transcripts we reviewed, these students never lost good academic standing and therefore were never in need of a waiver.

*School Officials' Position* - MMC officials stated that they are reviewing their waiver process in order to eliminate this problem.

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

1. *Recover the \$16,400 plus applicable interest from Marymount Manhattan College for its incorrect TAP certifications.*
2. *Ensure that Marymount Manhattan College decertifies TAP for ineligible students and returns incorrectly certified TAP awards.*

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

*Ensure that Marymount Manhattan College complies with State Education Department regulations as they pertain to good academic standing and waivers.*

Major contributors to this report were Frank Russo, Kenneth I. Shulman, Lu Pham, Peter Chin, Bebe Belkin and Don Collins.

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

Yours truly,

Jerry Barber  
Audit Director

cc: Regina S. Peruggi, PhD  
Charles Conaway