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November 21, 2003

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

Mr. Michael R. Wilton, Jr.
President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: Manhattan College
Report 2001-T-4

Dear Messrs. Mills and Wilton:

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 Manhattan College (Manhattan) for the 1998-99 through 2000-01 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the Education Law (Law), we determined that Manhattan was overpaid $228,134 because school officials incorrectly certified some students as eligible for TAP awards. We tested the accuracy of the 5,789 TAP certifications Manhattan awarded for the three-year period that ended on June 30, 2001, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed 15 awards totaling $18,251. 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 $276,055. We also disallowed 9 awards totaling $8,755 based on our review of other awards from outside the statistical sample period. Manhattan officials decertified 53 awards totaling $56,676. Therefore, we recommend that HESC recover a net total of $228,134 plus applicable interest from Manhattan.

Background

Manhattan is an independent Catholic college located in the Riverdale section of the Bronx, New York City. Founded in 1853, the school offers undergraduate and graduate degrees in a variety of programs that are approved by the New York State Education Department (SED). Many of these programs have been approved for TAP eligibility. Manhattan has about 3,000 full-time and part-time students and its annual tuition is approximately $16,000.

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 Manhattan officials for their review and comment. We have considered their comments, as well as those of Manhattan's attorneys, in preparing this audit report.

Audit Scope, Objective, and Methodology

The objective of our financial and compliance audit was to determine whether Manhattan'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, Manhattan officials certified 5,789 TAP awards totaling $8,002,834 that were paid on behalf of 1,832 students during the three academic years that ended on June 30, 2001. We reviewed a statistical sample of 200 randomly-selected awards totaling $301,656 that were made to 192 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 Manhattan that are included within our audit scope. These standards also require that we review and report on Manhattan's internal control system and its compliance with those laws, rules, and regulations that are relevant to Manhattan'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 Manhattan, 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 supporting the claims for student financial aid.

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

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

Audit Disallowances

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

Reason for Disallowance	Number of Awards	Amount	Total
Disallowances from the Statistical Sample:			
Students Not in Good Academic Standing	6	$9,771	
Students Not in Full-Time Attendance	4	4,541	
Students Not in an Approved Program	2	2,517	
Awards Not Posted to Students' Accounts	2	1,067	
Student Not Meeting Citizenship Requirements	1	355	
Overcertified Tuition	3	2,481	
Total Disallowance from the Statistical Sample	18	20,732	
Less: Disallowances for More Than One Reason	3	2,481	
Net Disallowance from the Statistical Sample	15	$18,251	
Projection Amount			$276,055
Disallowances from Outside the Statistical Sample Period:			
Student Not in Good Academic Standing	1	$1,850	
Student Not in Full-Time Attendance	1	975	
Student Not Meeting Residency Requirements	1	1,950	
Awards Not Posted to Students' Accounts	4	1,000	
Student Not Meeting Citizenship Requirements	1	1,030	
Overcertified Tuition	2	2,925	
Total Disallowance from Outside the Sample	10	9,730	
Less: Disallowance for More Than One Reason	1	975	
Net Disallowance from Outside the Sample	9		8,755
Total Audit Disallowance			284,810
Less: Decertified Awards			56,676
Net Audit Disallowance			$228,134

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

Students Not in Good Academic Standing

Criteria - Section 665 of the New York State Education Law (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, he or she 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 the 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. Students who lose TAP eligibility because their cumulative grade point average is less than 2.0 cannot regain eligibility by remaining out of school for a period.

Audit Determination - We disallowed seven awards (six from our statistical sample period and one from outside the period) that had been paid on behalf of seven students who failed to maintain good academic standing. Four of these students did not earn passing or failing grades in enough courses to meet the pursuit of program requirements. The three other students did not earn enough credits and/or earn the cumulative grade point average required on the school's chart of satisfactory academic progress to maintain TAP eligibility.

School Officials' Position - In November 2001, after the audit had begun, Manhattan officials decertified one of the six disallowed sample term awards. The school's attorneys, responding on behalf of Manhattan officials, requested that this award, for the fall 1999 term, be excluded from the statistical projection. They asserted that the audit process began before the college had the opportunity to "self correct" its books and records for the 2000-01 academic year-end. School officials did not respond to the remaining six disallowances.

Auditors' Comments - The fall 1999 award occurred during the 1999-2000 academic year and was not decertified by the school until November 2001, after we had informed school officials that this award would be disallowed.

A statistically-sampled TAP award is representative of the entire population of awards. Therefore, it is appropriate to include all disallowed awards, including an award subsequently decertified by Manhattan, in the projection of our audit results to the entire population. This award is included in our projection of the sample term disallowance. However, this and other awards decertified by Manhattan were subtracted when determining the net audit disallowance.

Students Not in Full-Time Attendance

Criteria - Section 661 of the Law requires students to be in full-time attendance to be eligible for TAP awards. 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 hours a semester for a semester of 15 weeks, or its equivalent.

Audit Determination - We disallowed five awards (four from our statistical sample period and one from outside the period) that had been paid on behalf of five students who did not maintain full-time status. Four of these students had neither registered for nor attended any classes during the semesters for which the awards were received. Because the fifth student had registered for less than 12 credits during the semester, he did not meet the full-time requirement.

School Officials' Position - The school's attorneys objected to our projecting the disallowances for three sample period awards applicable to the summer 1998 and summer 1999 academic terms. They argued that summer term awards are typically smaller amounts and should not be subject to the same statistical projection applied to the spring and fall term awards. School officials did not respond to the remaining two disallowances.

Auditors' Comments - Our statistical sampling methodology is appropriate and valid. A statistically-sampled TAP award is representative of the entire population of awards. Therefore, it is appropriate to include all disallowed awards, including summer term awards, in the projection of our audit results to the entire population.

Student Not Meeting New York State Residency Requirements

Criteria - Section 661 of the Law requires that an applicant for an award at the undergraduate level be a legal resident of New York State (State) for at least one year immediately preceding the beginning of the semester for which the award is made, or have been a legal resident of the State during the last two semesters of high school. Furthermore, according to HESC's Manual of Programs and Procedures (Manual), "the student must show having established a domicile or permanent place of abode in New York State." The Manual also stipulates that institutions should not certify eligibility for State awards for any student whose State residency is suspect.

Audit Determination - We disallowed one award that had been paid on behalf of a student who graduated from high school in the Dominican Republic on September 21, 1996, and had enrolled and received a TAP award at Manhattan for the fall 1997 semester, which began August 25, 1997. Documentation in the student's file did not demonstrate that the student was a legal resident of the State for one year immediately preceding the term for which the award was received.

School Officials' Position - School officials disagree with this disallowance. They stated that the student had received a spring 1997 TAP award at a different college prior to attending Manhattan. They asserted that this constituted sufficient proof of State residency.

Auditors' Comments - Manhattan officials could not establish when the student became a resident of the State and, therefore, whether the student met the one-year residency requirement.

Moreover, an "Affidavit of New York State Residence," used when residency is suspect, was not submitted to HESC for the student. We sought HESC's guidance and were advised that the documentation did not support that the student met the residency requirement.

Students Not in an Approved Program

Criteria - Section 661.4(a) of the Law requires students to be matriculated in an approved program to be eligible for TAP awards. Furthermore, Section 52.1 of the Regulations requires that the formal educational requirements students must meet to qualify for certificates or degrees be registered with the Commissioner of Education.

Audit Determination - We disallowed two sample period awards paid on behalf of two students. These students were enrolled in programs – Community Health and Leadership Studies – that had not been approved by SED.

School Officials' Position - According to the school's attorneys, the first student's major, Community Health, is offered by the College of Mount Saint Vincent as part of a cooperative program with Manhattan College. The attorneys stated that the second student, for whom we disallowed the spring 2000 award, was majoring in Organizational Management rather than Leadership Studies. They provided a transcript (different than the one initially provided) in support of that position.

Auditors' Comments - SED officials informed us that neither Manhattan nor the College of Mount Saint Vincent has a registered program in Community Health. Regarding the second student, both the transcript and the other documents in the student's file, which Manhattan officials provided to the auditors at the time of the review, list Leadership Studies rather than Organizational Management as the student's major.

Awards Not Posted to Students' Accounts

Criteria - Section 2205.3(e) of the Regulations requires that each student's account be credited within seven days after the receipt of an award.

Audit Determination - We identified six awards (two from our statistical sample period and four from outside the period) that had not been credited to the accounts of four students. Since Manhattan did not distribute the funds properly so the students could benefit from them, we are disallowing these awards. One of the two statistical sample period awards was for a summer term.

School Officials' Position - The school's attorneys objected to our projecting the disallowance for the sample period award applicable to the summer. They argued that summer term awards are typically smaller amounts and should not be subject to the same statistical projection applied to the spring and fall term awards. School officials did not respond to the remaining five disallowances.

Auditors' Comments - Our statistical sampling methodology is appropriate and valid. A statistically-sampled TAP award is representative of the entire population of awards. Therefore,

it is appropriate to include all disallowed awards, including summer term awards, in the projection of our audit results to the entire population.

Students Not Meeting Citizenship Requirements

Criteria - Section 661(3) of the Law requires 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/her parole authority pertaining to the admission of aliens to the United States.

Audit Determination - We disallowed two awards (one from our statistical sample period and one from outside the period) that had been paid on behalf of two students who were not born in the United States, and whose files contained insufficient documentation to establish that they were citizens of the United States or eligible non-citizens.

School Officials' Position - In March 2003, school officials decertified the award from outside the sample period. They did not respond to the other disallowance.

Auditors' Comments - The decertified award was subtracted from the audit disallowance when determining the net audit disallowance.

Overcertified Tuition

Criteria - Section 665(3)(a) of the Law requires that participating institutions certify to HESC the actual amount of tuition liability incurred by each student receiving a TAP award.

Audit Determination - We disallowed five awards (three summer term awards from our statistical sample period and two awards from outside the period) that had been paid on behalf of five students for whom the school reported a higher tuition amount to HESC than was actually charged to the student. In each case, the student had no tuition liability to Manhattan. Since there was no tuition liability, there should not be a TAP award.

School Officials' Position - The school's attorneys objected to our projecting the disallowance for the sample period awards applicable to the summer term. They argued that summer term awards are typically smaller amounts and should not be subject to the same statistical projection applied to the spring and fall term awards. School officials did not respond to the other disallowed awards.

Auditors' Comments - Our statistical sampling methodology is appropriate and valid. A statistically-sampled TAP award is representative of the entire population of awards. Therefore, it is appropriate to include all disallowed awards, including summer term awards, in the projection of our audit results to the entire population.

Other Matters Needing Attention

The following findings do not result in audit disallowances. They pertain to control issues that Manhattan officials need to address:

Accuracy of Transcripts

Criteria - Section 52.2(e) of the Regulations requires colleges to "maintain for each student a permanent, complete, accurate, and up-to-date transcript of student achievement at the institution. This document will be the official cumulative record of the student's cumulative achievement."

Audit Determination - We found errors on the transcripts of some of the students in our audit sample. For example:

- The grade point average and/or the number of credits earned were recorded incorrectly on 48 transcripts.

- The number of credits transferred from a student's prior post-secondary institution was overstated by 51 credits.

School Officials' Position - School officials told us that they are in the process of correcting the grade point average and/or the number of credits on the 48 transcripts. School officials did not respond to the other finding.

Refunds to Students

Criteria - Section 2205.3(e) of the Regulations requires that, within 45 days from the receipt of financial aid payment, institutions must either refund to the student any amount received in excess of funds owed the institutions or, with written consent of the student, apply such funds to subsequent terms.

Audit Determination - We identified seven students for whom payments to the school on their behalf were greater than the school's charges for tuition, fees, etc. These students are due refunds. For example:

- One student is owed $3,557 since spring 1999.

- Another student is owed $926 since April 2000.

- A third student is owed $2,053 since March 2001.

School Officials' Position - School officials did not respond to this finding.

Recommendations to the Higher Education Services Corporation

1. *Recover the* $228,134 *plus applicable interest from Manhattan College for its incorrect TAP certifications.*

2. *Ensure that Manhattan College posts TAP awards to students' accounts and processes refunds in a timely manner, does not certify to HESC tuition charges greater than the amounts actually charged to students, and verifies that residency and citizenship requirements are met for students who are certified as eligible for TAP.*

Recommendation to the State Education Department

Ensure that Manhattan College complies with the State Education Department requirements relating to good academic standing, full-time attendance, approved programs, and accuracy of transcripts cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Gene Brenenson, Kezia Chacko, Mostafa Kamal, and Mikhail Melamud.

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

Very truly yours,

Frank J. Houston
Audit Director

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