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STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 4, 1996

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

Mr. Robert J. Maurer
President
Higher Education Services Corporation
99 Washington Avenue
Albany, NY 12255

Re: Mercy College
Report 96-T-6

Dear Mr. Mills and Mr. Maurer:

According to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution, Section 8, Article 2 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) and the Supplemental Tuition Assistance Program (STAP) at Mercy College (Mercy) for the 1993-94 through 1995-96 academic years.

Summary Conclusions

We determined that Mercy officials have effective procedures and practices for certifying students as eligible for TAP and STAP awards.

Background

Mercy is an independent institution of higher education offering a wide range of academic and professional programs at the graduate and undergraduate levels. Mercy's main campus is located in Dobbs Ferry, Westchester County and programs are offered at a number of other branch campuses located throughout the New York metropolitan area including Peekskill, White Plains, Yorktown Heights, Yonkers and the Bronx. Mercy also offers a number of courses at the six extension centers it operates throughout the metropolitan area.

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. STAP is designed to provide up to one year of additional State aid for students who are educationally disadvantaged and in need of remediation. Most of Mercy's registered programs qualify eligible students for State TAP awards.

Audit Scope

The objective of our financial and compliance audit was to determine whether Mercy's management complied with the State Education Law (Law) and the Commissioner's Rules and Regulations (Regulations) for certifying students as eligible for TAP or STAP awards.

According to HESC's records, Mercy certified 8,149 students for 18,375 TAP and STAP awards totaling almost \$28.2 million during the 1993-94, 1994-95 and 1995-96 academic years. We selected and reviewed a statistical sample of 200 awards totaling \$305,998 paid on behalf of 198 students for the three-year period ended June 30, 1996. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to calculating the amount of the awards.

We conducted 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 Mercy which we include within our audit scope. These standards also require that we review and report on Mercy's internal controls and its compliance with those laws and regulations that are relevant to Mercy's operations and are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting 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 and conclusions.

In planning and doing our audit of Mercy, we reviewed management's internal controls. 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.

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

Audit Results

The results of our audit indicated that for the transactions and records tested, Mercy complied in all material respects with the provisions referred to in the preceding paragraph. We found that Mercy officials have good controls in place to ensure that only those students eligible to receive TAP and STAP are certified for the awards.

In three prior audits of Mercy College, dating back to 1980, we consistently found weaknesses in the TAP or STAP certification process. These weaknesses resulted in students receiving TAP or STAP awards who were not eligible because they did not meet full-time status, residency requirements, good academic standing and they were not properly matriculated. Based on the weaknesses identified in the three prior audits, we disallowed over \$700,000 in TAP and STAP awards.

Based on our review and testing of the internal controls, Mercy has taken steps to improve the controls in place to ensure that TAP and STAP awards are certified for only those students who meet the eligibility requirements. We found that good controls are in place over Mercy's TAP and STAP certification processes to ensure that all students receiving TAP and STAP are eligible. Also, good controls are in place over the admission and placement process to ensure that all students who are admitted, take the placement test or have the appropriate prior college requirements and are placed into the appropriate level courses. As a result, we found that the 200 awards in our statistical sample were certified appropriately.

Major contributors to this report were Carmen Maldonado, Frank Russo, Kenneth I. Shulman, Mary Eileen Barret, Laura Smith and Donald Collins.

We wish to express our appreciation to the management and staff of Mercy College for their courtesies and cooperation.

Yours truly,

David R. Hancox
Director of State Audits

cc: J. Sexter
P. Woodworth