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OFFICE OF THE STATE COMPTROLLER

May 30, 2003

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

Mr. Pierre L. Alric
Acting President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: Mount Saint Mary College
Report 2002-T-6

Dear Mr. Mills and Mr. Alric:

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 Mount Saint Mary College (MSMC) for the 1999-00 through 2001-02 academic years.

Summary Conclusions

In accordance with Section 665(3)(b) of the New York State Education Law (Law), we determined that MSMC was overpaid \$8,918 because school officials incorrectly certified seven students as eligible for TAP awards. Therefore, we recommend that HESC recover \$8,918 plus applicable interest from MSMC.

Background

MSMC is a private degree-granting college located in Newburgh, New York. MSMC offers 70 bachelors and masters degree and certificate programs in Education, Liberal Arts and Sciences, Computer Science, Business, and Nursing. The New York State Education Department (SED) has

approved the majority of MSMC programs, including all undergraduate degree programs, 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 MSMC officials for their review and comments. 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 MSMC 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, MSMC certified 3,924 TAP awards totaling \$4,658,913 on behalf of 1,368 students during the three academic years that ended on June 30, 2002. We reviewed a statistical sample of 200 randomly-selected TAP awards totaling \$241,919 made to 190 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 MSMC that are included within our audit scope. These standards also require that we review and report on MSMC's internal control system and its compliance with those laws, rules, and regulations that are relevant to MSMC'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 MSMC, 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.

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

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

Audit Disallowances

The following is a summary of the disallowances that resulted from our audit:

<u>Reason for Disallowance</u>	<u>Number of Awards</u>	<u>Amount</u>
Students Not in Good Academic Standing	6	\$8,363
TAP Not Posted to Students' Accounts	<u>2</u>	<u>555</u>
Total	<u>8</u>	<u>\$8,918</u>

The reasons for the disallowances are discussed in the remaining sections of this report. Students' names and related information were provided separately to MSMC officials.

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. To maintain good academic 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. 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.

SED's Memorandum to Chief Executive Officers No. 81-12 states that the granting of a waiver is intended to accommodate only exceptional or unusual circumstances beyond the control of the otherwise serious and successful student who may have had only one "bad term." In addition, the school is required to maintain a complete record for each waiver granted with a written record of the findings and determinations of each case.

MSMC's TAP waiver policy, published in its student handbook, provides for the granting of a one-time waiver to a student who has experienced an extenuating circumstance that contributes to his/her failure to maintain good academic standing. This policy is not specific as to what constitutes acceptable extenuating circumstances. MSMC officials maintain a written record of each waiver as part of the student's financial aid record.

Audit Determination - We disallowed six awards that had been paid on behalf of five students who had not maintained good academic standing. These students received awards in terms after having failed to make satisfactory academic progress in accordance with the approved standard. Specifically, the students did not accrue the minimum number of credits or earn the specified minimum cumulative grade point average needed. Therefore, these five students were not eligible to receive TAP awards in the subsequent terms.

MSMC officials granted TAP waivers to two of the five students. However, our review showed that MSMC officials had not granted these waivers in accordance with SED's requirements. One waiver was supported by documentation stating the waiver was granted because the student said she was not working to her potential. School officials did not provide relevant documentation to support the granting of the other waiver. The remaining three students had not received waivers, did not make up the deficiencies at their own expense, or did not remain out of school for one year; therefore, they were not eligible to receive TAP awards for one calendar year.

School Officials' Position - MSMC officials agree with the disallowance of four awards paid on behalf of three students, including the two students who were granted waivers. However, they disagree with the disallowances for two other students. Both students had transferred to MSMC after attending other post-secondary institutions where they had received TAP awards. In accordance with the school's transfer credit policy, MSMC officials awarded transfer credits for some courses taken at the other institutions, but did not award transfer credits for other courses. MSMC officials contend that, although the school's transfer policy limited the number of credits that were transferred, both students had met the good academic standing requirement. School officials stated that the students' cumulative college-level credits, including credits MSMC did not accept for transfer, had exceeded the number of credits required on the school's chart of satisfactory academic progress.

Auditors' Comments - SED officials advised us that only the credits accepted in transfer toward the degree programs in which the students are enrolled at the receiving institution are included in the determination of good academic standing.

TAP 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 receipt of a TAP award.

Audit Determination - We partially disallowed two awards that had not been fully credited to the accounts of two students because MSMC officials did not distribute the funds properly so the students could benefit from the awards.

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

Recommendations to the Higher Education Services Corporation

1. *Recover the \$8,918 plus applicable interest from Mount Saint Mary College for its incorrect TAP certifications.*
2. *Ensure that Mount Saint Mary College officials fully post TAP awards to students' accounts in a timely manner.*

Recommendation to the State Education Department

Ensure that Mount Saint Mary College officials comply with the State Education Department requirements relating to good academic standing cited in this report.

Major contributors to this report were Cindi Frieder, Kenrick Sifontes, Maureen Costello, and Kezia Chacko.

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

Very truly yours,

Frank J. Houston
Audit Director

cc: Sister Ann Sakac, President
Deirdre A. Taylor
Carole E. Stone