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December 18, 2006

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

Mr. James C. Ross
President
Higher Education Services Corporation
99 Washington Avenue
Albany, New York 12255

Re: Manhattan School of Computer
Technology Report 2006-T-1

Dear Messrs. Mills and Ross:

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 the Manhattan School of Computer Technology (MSCT) for the 2002-2003 through 2004-2005 academic years.

Summary Conclusions

In accordance with Article 14, Section 665(3)(b) of the New York State Education Law (Law), we determined that MSCT was overpaid \$13,025 because school officials incorrectly certified two students as eligible for six TAP awards. Therefore, we recommend that HESC recover a total of \$13,025, plus applicable interest, from MSCT.

Background

MSCT is a not-for-profit registered business school located in Manhattan, New York. The school is owned by Business Education in Science & Technology for New Americans, Inc. MSCT offers five TAP-approved programs which are registered with the New York State Education

Department (SED): Medical Billing, Medical Billing and Procedures with English as a Second Language (ESL), Comprehensive Accounting with Computer Operations, Comprehensive Accounting and Office Automation with ESL, and a Medical Office Assistant Program.

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 HESC, SED and MSCT 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 audit was to determine whether MSCT's management complied with the Law and the Commissioner of Education's Rules and Regulations, Title 8, NYCRR, (Regulations) for certifying students as eligible for TAP awards. Our audit did not include a review of the process HESC follows in determining the amount of such awards.

According to HESC records, MSCT officials certified 700 TAP awards totaling \$1.4 million that were paid on behalf of 282 students during the three academic years that ended on June 30, 2005. We reviewed a sample of 137 randomly-selected TAP awards totaling \$275,424 that were made to 112 students during that period and evaluated the results using statistical sampling methodologies. We also reviewed 58 other awards from outside the statistical sample.

We conducted our audit according to generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of MSCT that are included within our audit scope. Further, these standards also require that we review and report on MSCT's internal control system and its compliance with those laws, rules, and regulations that are relevant to MSCT'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 MSCT, 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 school's accounting system and other systems that would support the claims for student financial aid.

MSCT's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of MSCT'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 MSCT's overall compliance with such provisions. Our audit found that, for the transactions and records tested, MSCT was generally in compliance with these provisions, except as noted in the following sections of 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, several of which are performed by the Division of State Services. 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 auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Audit Results

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

<u>Reason for Disallowance</u>	<u>Number of Awards</u>	<u>Amount</u>
Students Not Meeting Matriculation Requirements	<u>6</u>	<u>\$13,025</u>
Total Audit Disallowance	<u>6</u>	<u>\$13,025</u>

The disallowance is discussed in the following paragraphs. Students' names and related information were provided separately to MSCT officials.

Students Not Meeting Matriculation Requirements

Criteria - Section 5002(1)(b)(1) of the Law requires that, to be admitted to a registered business school, students must possess either a high school diploma or its equivalent, or demonstrate the ability to benefit from the instruction. Section 126.1(g) of the Regulations defines documentation of entrance requirements as a copy of the student's high school diploma or transcript, General Equivalency Diploma, or the original ability-to-benefit examination answer sheet indicating a passing score.

Audit Determination - We disallowed six awards that had been paid on behalf of two students who did not meet the matriculation requirements. The files for one of these students did not contain acceptable proof of high school graduation or its equivalent. The diploma provided by this student was from an out-of-state school that, according to its website, allowed students to obtain high school diplomas in weeks. School records indicated that the remaining student passed a test required by the school for matriculation. However, our review of the test's answer sheet indicated that the original answers to two questions were erased and changed in order for the student to achieve a passing score of 42.

School Officials' Position - School officials state that the regulations do not require a school to authenticate high school diplomas. They contend that the second student was admitted based on the student's high school diploma. They further contend that the test in question was a placement test. They added that the correction to the test was made when it was realized that the instructor had made

a human error in recording the student's answers. They also added that teachers are never instructed or encouraged to change students' test scores.

Auditors' Position - SED advised us that the diploma from the out-of-state school is unacceptable as evidence of high school graduation since, at the time of the student's graduation, the school was not regulated or regionally accredited by a professional or other board that was concerned with academic standards. According to MSCT's admissions requirements, as published in the school's catalog, the second student was required to achieve a minimum score of 41 on the placement test in order to be admitted to any program that included an ESL component. Our review of the student's answer sheet showed that some answers were erased and corrected. We are unable to determine whether these corrections were the result of human error or done intentionally, on the part of the instructor.

Recommendation to the Higher Education Services Corporation

Recover the \$13,025, plus applicable interest, from the Manhattan School of Computer Technology for its incorrect TAP certifications.

Recommendation to the State Education Department

Ensure that Manhattan School of Computer Technology officials comply with the State Education Department requirements relating to matriculation cited in this report.

Major contributors to this report were Karen Bogucki, Harold Maher, Kezia Chacko, Yelena Feldman and Danielle Marciano.

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

Very truly yours,

Kenrick Sifontes
Audit Manager

cc: Alla Bogatova, President
Lisa Ng, Division of the Budget