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STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

March 26, 2009

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: Mandl School  
Report 2008-T-2

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 Mandl School (Mandl) for the 2004-2005 through 2006-2007 academic years.

**Summary Conclusions**

In accordance with Article 14, Section 665(3) (b) of the New York State Education Law (Law), we determined that Mandl was overpaid \$121,331 because school officials incorrectly certified 14 students as eligible for 21 TAP awards. We tested the accuracy of the 997 TAP certifications the school awarded for the three-year period ended June 30, 2007, by reviewing a statistical sample of 200 randomly-selected awards. From our statistical sample, we disallowed 15 awards totaling \$34,709. 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 \$108,755. We also disallowed six awards totaling \$12,576 based on our review of other awards, from outside the statistical sample period, for these students. These awards were not projected to the population. Therefore, we recommend that HESC recover a total of \$121,331 (\$108,755 and \$12,576) plus applicable interest, from Mandl.

## **Background**

The Mandl School, located in New York City, was authorized by the New York State Board of Regents in October 2005 to confer an associate degree and certificate through its Medical Assisting Program. Mandl also offers some non-credit programs in the allied health field. However, only the two programs in Medical Assisting have been approved by the State Education Department (SED) for tuition assistance. Mandl's current enrollment is approximately 400 students and its annual tuition is about \$9,000.

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 a draft copy of this report to HESC, SED and Mandl 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 performance audit was to determine whether Mandl'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 a review of the process HESC follows in determining the amount of such awards.

According to HESC records, Mandl officials certified 997 TAP awards totaling \$ 2,089,181 that were paid on behalf of 640 students during the three academic years that ended June 30, 2007. We reviewed a statistical sample of 200 awards totaling \$423,852 that were made to 181 students during that period. We also reviewed other awards that came to our attention during the audit.

In planning and performing our audit of Mandl, 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 claims for student financial aid.

Mandl's management is responsible for complying with the Law and the Regulations. In connection with our audit, we performed tests of Mandl'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 Mandl's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Mandl generally complied with these provisions, except as noted in the following sections of this report.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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. 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. Duplicate disallowances were subtracted when determining the net audit disallowance.

<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 Matriculated	13	\$ 30,100	
Students Not in Good Academic Standing	2	3,970	
Students Not in Full-Time Attendance	2	5,000	
Students' TAP Award Not Posted/No Tuition Charged	<u>2</u>	<u>5,000</u>	
Total Disallowances from the Sample Period	19	\$ 44,070	
Less: Disallowance for More than One Reason	<u>4</u>	<u>\$ 9,361</u>	
Net Disallowance from the Sample Period	<u>15</u>	<u>\$ 34,709</u>	
Projected Amount			\$ 108,755
<b>Disallowances from Outside the Statistical Sample Period:</b>			
Students Not Matriculated	5	\$ 10,126	
Student Not in Good Academic Standing	1	2,450	
Student Not in Full-Time Attendance	<u>1</u>	<u>1,338</u>	
Total Disallowances from Outside the Sample Period	7	\$ 13,914	
Less: Disallowance for More than One Reason	<u>1</u>	<u>\$ 1,338</u>	
Net Disallowance from Outside Sample Period	<u>6</u>	<u>\$ 12,576</u>	<u>\$ 12,576</u>
Total Audit Disallowance			<u>\$ 121,331</u>

The disallowances are discussed in the following paragraphs. Students' names and related information were provided separately to Mandl officials.

### **Students Not Matriculated**

*Criteria* - Section 661 of the Law requires students who received their first financial aid payment in the 1996-97 academic year to the 2006-07 academic year to have a high school diploma or its equivalent, or to have achieved a passing score, as determined by the United States Secretary of Education, on a federally approved examination - referred to as Ability-to-Benefit (ATB) test. Beginning in the 2007-2008 academic year, students without a high school diploma or a GED from the United States must pass an approved ATB exam to be eligible for State aid.

Section 100.09 of the Regulations addresses issues related to high school Individualized Education Program (IEP) diplomas. An IEP diploma signifies that the recipient attended high school and met the goals stated in his or her Individual Education Plan. According to SED and HESC officials, IEP students need to obtain a high school diploma or pass an ATB test to qualify for TAP awards. IEP diplomas do not qualify students for such aid.

SED's CEO 05-04 states that when a student has completed a high school program through correspondence study, the correspondence school must be recognized, authorized, or approved by the state educational entity where the correspondence school is located. It also states that the validation of the correspondence study program in the form of regional accreditation adds to the acceptability of such credentials.

*Audit Determination* - We disallowed 18 awards (13 awards from the statistical sample period and 5 from outside this period) paid on behalf of 11 students who were not properly matriculated. Additional details are provided below:

- Five students, admitted to Mandl prior to the academic year 2007-08, provided academic credentials from foreign countries that were not the equivalent of a US high school graduation. Four of these students were educated in foreign countries that required the students to pass a national examination to be considered a high school graduate. However, these students did not provide any evidence of passing the national exam. Documents for the remaining student indicated that this student only completed an elementary education.
- Two students were admitted to Mandl based on their IEP diplomas. Since an IEP diploma is not the equivalent of a high school diploma or a GED certificate, it does not qualify a student for TAP awards.
- Four students provided certificates from correspondence schools. Three of these students obtained certificates from a school located in Georgia; this school was neither approved by its local education department nor had regional or national accreditation. The school that issued the certificate for the remaining student clearly states on its website that it does not offer any high school equivalency programs and its programs are not accredited by any agencies.

*School Officials Position* - School officials agree with these disallowances.

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

*Criteria* - Section 665 of the Law requires that students be in good academic standing to qualify 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 school and approved by SED.

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 one-time TAP waiver is obtained, the student remains out of school for at least one calendar year, or transfers to another institution.

*Audit Determination* - We disallowed three awards (two awards from our statistical sample period and one from outside this period) paid on behalf of three students who did not maintain good academic standing. Two students did not earn the cumulative grade point average and the other student did not earn the minimum number of credits as required by Mandl's chart of satisfactory academic progress to maintain their TAP eligibility. Since these students did not make up the deficiencies at their own expense, did not receive TAP waivers, or did not remain out of school for one year, they were not eligible for these TAP awards.

*School Officials Position* - School officials agree with these disallowances.

### **Students Not in Full-Time Attendance**

*Criteria* - Section 661 of the Law requires that students be in full-time attendance to be eligible for their TAP awards. Section 145-2.1 of the Regulations states, in part, that full-time study for a semester-based program at a degree-granting school is defined as enrollment for at least 12 semester hours during a semester of not less than 15 weeks.

SED's Memorandum to Chief Executive Officers No. 86-17 states that "basic to the payment of State student aid is the requirement that courses that make up a student's minimum course load be creditable toward the degree, diploma or certificate program in which the student is enrolled."

*Audit Determination* - We disallowed three awards (two awards from our statistical sample period and one from outside this period) paid on behalf of three students who did not meet the full-time requirement. Two of these students were not enrolled in any courses for the terms they were certified for TAP awards. The other student was enrolled in fewer than 12 credits but received a full TAP payment.

*School Officials Position* - School officials agree with these disallowances.

### **TAP Award Not Posted to Students' Accounts/No Tuition Charged**

*Criteria* - Section 2205.3(e) of the Regulations requires that each student's account be credited within seven days after the receipt of a TAP award. Section 667 of the Laws provides that the amount of TAP award be based on the student's tuition charged, and a TAP award cannot exceed the tuition charged. Further, section 665 (3) 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 identified two students whose TAP awards were not credited to their accounts. Although Mandl officials initially credited the funds to the students' accounts they later reversed the entry since no tuition was charged for the terms the TAP awards were certified, and the students were not in attendance for those terms. Mandl officials reported to HESC the full tuition liability for these two students in error.

*School Officials Position* - School officials agree with these disallowances.

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

1. *Recover the \$121,331 plus applicable interest from Mandl School for its incorrect TAP certifications.*
2. *Ensure that Mandl officials comply with the Higher Education Services Corporation requirements relating to crediting of TAP awards and accurate reporting of tuition amounts.*

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

*Ensure that Mandl officials comply with the State Education Department requirements relating to matriculation, good academic standing, and full-time attendance.*

Major contributors to this report were Dennis Buckley, Mostafa Kamal, Joseph Giaimo and Yelena Feldman.

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

Very truly yours,

Steven E. Sossei  
Audit Director

cc: Melvyn Weiner, Mandl School  
Tom Lukacs, Division of the Budget