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STATE OF NEW YORK  
OFFICE OF THE STATE  
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September 15, 1999

Mr. Peter J. Keitel  
President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, NY 12255

Re: Mercy College  
Report 98-T-2

Dear Mr. Keitel:

According to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution, and 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 appropriateness of the Social Security numbers used by all Mercy College (Mercy) students applying for and receiving Tuition Assistance Program (TAP) awards during the 1989 through 1995 academic years.

**Background**

Mercy College is an independent four-year college located in Dobbs Ferry. Mercy operates branch campuses in Yorktown Heights, White Plains and the Bronx and operates a number of extension centers throughout Westchester County and New York City. Mercy offers a variety of undergraduate and graduate degrees approved by the State Education Department (SED) for financial aid eligibility.

HESC uses applicants' Social Security numbers to establish eligibility for TAP awards. A former Mercy instructor, employed during the 1989 through 1995 academic years, was convicted in the United States District Court for selling, to immigrant students, Social Security numbers which belonged to others. The immigrant students used these numbers to inappropriately obtain various forms of financial aid while attending Mercy. Mercy officials identified nine students who used such numbers to obtain financial aid, including eight who received TAP. This resulted in inappropriate TAP awards totaling \$51,463. Mercy has repaid this amount to HESC.

Draft copies of this report were sent to Mercy and HESC officials for their review and comment. We have considered their comments in preparing this report.

### **Audit Scope, Objective and Methodology**

The scope of our financial and compliance audit pertained to the 27,529 TAP awards made to Mercy students during the 1989 through 1995 academic years. Our objective was to determine whether these awards were made for students who used valid, appropriately assigned Social Security numbers. To accomplish our audit objective we used commercially available Social Security number verification software which we executed against an official file from HESC of names and Social Security numbers recorded for Mercy students. For exceptions noted from our use of the software, we followed up with information available at Mercy College. The scope of our audit did not include reviewing the records and procedures of HESC as they relate to determining the amount of the awards.

We did 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 are included within our audit scope. These standards also require that we review and report on Mercy's internal control system and its compliance with those laws, rules 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 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 recommendation.

In planning and doing our audit of Mercy, we reviewed management's internal control system. 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 students' financial aid.

Mercy's management is responsible for complying with the Education Law (Law) and the Commissioner of Education's Rules and Regulations (Regulations). In connection with our audit, we performed tests of Mercy's compliance with certain provisions of the Law and the Regulations. Our objective in performing these tests was to obtain reasonable assurance that the TAP awards Mercy received, were for students who used their own Social Security numbers. Our objective was not to provide an opinion on Mercy's overall compliance with the Law and Regulations.

### **Audit Results**

Use of Social Security number verification software identified two significant exception categories for TAP awarded to students at Mercy. One exception category was the payment of TAP awards when the Social Security numbers for the students receiving the awards belonged to deceased individuals. Eleven students fell into this exception category. For ten of these students, the name provided by the verification software did not match with the student name associated with the Social Security number on HESC's records for Mercy students. For the eleventh student, the name and the Social Security number appearing in the records matched the name and number provided by the verification software.

Our second exception category represented Social Security numbers that were issued to recipients after their eighteenth birthday (a common occurrence for immigrants) where the recipient names on HESC's records did not agree with the results from the verification software. We identified 907 such exceptions. Of these 907, we found differences in both the first and last names of 287 students. We found that 574 of the 907 had different first names, including 83 that are typically used for individuals of a different gender. We found 46 discrepancies in the last names. These exceptions cause concern that certain immigrant students who lack legitimate Social Security numbers may be improperly receiving TAP by using the numbers that are legitimately assigned to others. The existence of the Mercy fraud involving immigrant students using others' Social Security numbers adds to this concern.

It is possible that exceptions are a result of keypunch errors in completing forms or in recording Social Security numbers for TAP purposes. In addition, students may still have been entitled to TAP even if an erroneous Social Security number was used. However, it is also possible that the students were using numbers assigned to other living or deceased persons in order to inappropriately receive TAP. A resolution of these discrepancies requires follow up with the Social Security Administration to confirm the status and the assignment of the Social Security numbers that showed as exceptions. We lacked the authority to obtain access to the data base of the Social Security Administration, so we were unable to perform this follow-up.

Mercy officials told us that, starting with the 1994-95 academic year, the United States Department of Education began verifying Social Security numbers reported on each student's federal financial aid application. They said that any questionable numbers are now reported to the institutions where the student is applying for federal financial aid. The school staff is then required to have the students document the correctness of their numbers. This new process would detect Social Security number errors in the future.

During our discussions with HESC officials, they told us that they will be implementing a procedure for verifying the students' Social Security numbers before TAP awards are processed for the 1999-2000 academic year. As part of this new procedure, HESC will begin processing TAP awards using information in students' federal financial aid applications that has already been checked for accuracy with many sources, including the Social Security Administration. HESC officials said they expect this practice to help prevent the payment of TAP awards to students who use Social Security numbers not assigned to them.

In our draft audit report, we recommended that HESC officials follow up on the Social Security number exceptions identified during the audit and make appropriate TAP recoveries. However, in response to our report, HESC officials stated that regulations governing Social Security numbers also prohibited them from accessing files of the Social Security Administration. Therefore, HESC officials indicated that they were unable to implement our recommendation.

In view of the response of HESC officials, we met with Mercy officials to request them to attempt to provide any additional records that might reconcile the discrepancies that we found. However, Mercy officials did not identify any additional records to resolve these discrepancies.

Therefore, we are unable to conclude whether or not the discrepancies we identified during the audit represent intentional errors to permit the award of TAP. As a result, it is critical that Social Security number verification for students receiving TAP must primarily depend on the effectiveness of HESC's new procedures for reviewing federal financial aid application information at the time of the award of TAP. We withdraw the recommendation made in our draft audit report.

**Recommendation**

*Continue with plans for using information in students' federal financial aid applications as a check on the validity of Social Security numbers.*

Major contributors to this report were Frank Russo, Kenneth I. Shulman, Mary Eileen Barret, Laura Smith, Lu Pham, Bebe Belkin, and Robert Mehrhoff.

We wish to thank Mercy College and HESC officials for the courtesies and cooperation extended to the audit team during their examination.

Very truly yours,

Jerry Barber  
Audit Director

cc: Lucy Lapovsky, Ph.D.  
Charles Conaway