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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

November 4, 2013

Dr. John King, Jr.  
Commissioner  
State Education Department  
State Education Building, Room 408  
89 Washington Avenue  
Albany, NY 12234

Ms. Elsa Magee  
Acting President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, NY 12255

Re: Audit of the Tuition Assistance Program  
at Mercy College  
Report 2012-T-3

Dear Dr. King and Ms. Magee:

The Office of the State Comptroller audits postsecondary institutions to verify that only eligible students receive State-funded Tuition Assistance Program (TAP) awards. The objective of this audit was to determine whether Mercy College management complied with the Education Law and the Commissioner of Education's Rules and Regulations when certifying students for TAP awards.

**Summary**

Based on our preliminary sample of certification transactions, we determined that Mercy's certification procedures were appropriately designed and were substantially complied with during the audit period. We therefore concluded that there is a low risk that a significant number of students certified by Mercy College for TAP were not eligible for awards. However, our tests did disclose 14 awards totaling \$25,011 that school officials certified in error. We recommend that the Higher Education Services Corporation (HESC) recover \$25,011, plus applicable interest, from Mercy College.

## **Background**

TAP is an entitlement program designed to provide financial assistance to help eligible students pay tuition. It is the largest of the student grant and scholarship programs administered by HESC. The management at schools receiving TAP payments is responsible for certifying student eligibility. The State Education Department (SED) has established rules and regulations (Regulations) for schools to follow when determining a student's TAP eligibility.

Mercy College (Mercy) is an independent postsecondary institution with locations in Dobbs Ferry, the Bronx, Manhattan, White Plains, and Yorktown Heights. During our audit, Mercy offered more than 90 undergraduate and graduate programs. The school has approximately 10,000 students, and full-time undergraduate tuition is about \$8,500 per semester. During the three fiscal years ended June 30, 2011, Mercy officials certified 13,420 TAP awards on behalf of 5,902 students amounting to \$23 million.

We provided a draft copy of this report to HESC, SED and Mercy officials for their review and comment. Their comments were considered in preparing this final report.

HESC officials responded that since the matters in our report related to SED regulatory issues, they would defer to SED's response.

SED officials agreed with our report recommendation.

Mercy officials acknowledged receipt of our report but did not offer any specific comment thereon.

## **Audit Results**

The following table summarizes our audit disallowances:

| <b>Disallowed TAP Awards</b>           |               |                 |
|--|---------------|-----------------|
| <b>Reason</b>                          | <b>Awards</b> | <b>Amount</b>   |
| Students Not in Full-Time Attendance   | 6             | \$10,392        |
| Students Not in Good Academic Standing | 5             | 7,389           |
| Student Not Matriculated               | 3             | 7,230           |
| <b>Net Audit Disallowance</b>          | <b>14</b>     | <b>\$25,011</b> |

The disallowed payments are discussed in the following paragraphs. The associated student names and related information were provided to Mercy officials under separate cover.

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

Section 145-2.1 of the Regulations states, in part, that full-time study at a degree-granting school is defined as enrollment for at least 12 semester hours for a semester of not less than 15

weeks or its equivalent. SED's Memorandum 86-17 to Chief Executive Officers adds 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."

We disallowed six awards paid on behalf of five students who did not satisfy the full-time attendance requirement. Four students did not meet the 12-credit threshold because they enrolled in courses which were not applicable toward their degree. The other student enrolled in only nine credits.

Mercy officials agreed with the disallowances for two of these students but disagreed with the disallowances for three others. They asserted that these three students enrolled in appropriate courses needed for a scholarship or foreign language requirement, or the courses covered elective credit requirements. However, as noted previously, courses that are not part of the program in which the student is enrolled cannot be included as part of the student's minimum 12-credit course load.

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

Section 665(6) 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 pursue the program of study in which he or she is enrolled. 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 for the appropriate level of TAP payment.

A student who fails to maintain good academic standing loses 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.

We disallowed five awards that had been paid on behalf of four students who did not maintain good academic standing. The students did not earn passing or failing grades in enough courses that were applicable to their respective program.

Mercy officials agreed with the disallowances for two of these students, but disagreed with the disallowances for two others, based on reasons similar to those stated in the *Students Not in Full-Time Attendance* section of this report.

### ***Student Not Matriculated***

Section 661 of the Law requires that students who received their first financial aid payment in the 2006-07 academic year must have a certificate of graduation from a recognized school within the United States providing secondary education or the equivalent; or have achieved a passing score, as determined by the United States Secretary of Education, on a federally-approved examination. For students who have graduated from a high school in a state other than New York, their certificate of graduation must be from a secondary school that is recognized, authorized, or approved by the state educational entity having jurisdiction.

We disallowed three awards paid on behalf of a student who was not properly matriculated. The student received her first financial aid payment during the 2006-07 academic year. Mercy officials provided evidence that the student graduated in June 2004 from a high school located in the State of Connecticut; however, that school was not registered with the Connecticut State Department of Education.

Mercy officials disagree with this disallowance. They explained that this high school had moved to Vermont at the end of the 2004 academic year, changed its name, and was approved by the Vermont Department of Education. However, as the student's high school record is from the high school named and located in Connecticut, Mercy officials need to provide evidence that the school was approved by the Connecticut Department of Education while it was in operation there.

### **Audit Scope**

We reviewed a sample of 50 randomly-selected TAP awards totaling \$85,610 paid on behalf of 50 students during our three year audit period ended June 30, 2011. We also reviewed other awards paid to our sampled students through spring 2012. Our audit did not include a review of HESC processes to determine student award amounts.

### **Methodology**

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 we obtained during the audit provides a reasonable basis for our findings and conclusions based on our audit objective.

In planning and performing our audit of Mercy, we reviewed Mercy management's internal control system over their TAP certification process. 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 college's accounting system and other systems that would support claims for student financial aid.

Mercy management is responsible for complying with the governing Law and Regulations. In connection with our audit, we performed tests of Mercy'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 Mercy's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Mercy generally complied with these provisions, except as noted in 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. 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 functions do not affect our ability to conduct independent audits of program performance.

### **Authority**

Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Article XIV, Section 665(3) of the State Education Law authorize the State Comptroller to audit New York State's Tuition Assistance Program.

### **Contributors to This Report**

Major contributors to this report were Cindi Frieder, Gene Brenenson, Nicholas Angel, Farhan Ahmad, Yelena Feldman, and Lillian Fernandes.

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

1. Recover from Mercy College the \$25,011 in awards paid for ineligible students, plus applicable interest.

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

2. Work with Mercy officials to help ensure their compliance with the SED requirements relating to full-time attendance, good academic standing, and matriculation cited in this report.

We express our appreciation to the management and staff of Mercy College for the courtesies and cooperation extended to our examiners during this audit.

Very truly yours,

Frank Patone, CPA  
Audit Director

cc: Concetta M. Stewart, Mercy College  
Margaret McGrail, Mercy College  
Tom Lukacs, Division of the Budget