

PERFORMANCE AUDIT
OF
PRIVATE COLLEGES' AND UNIVERSITIES' ENROLLMENTS

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
DEPARTMENT OF TREASURY

1998-99

EXECUTIVE DIGEST

PRIVATE COLLEGES' AND UNIVERSITIES' ENROLLMENTS

INTRODUCTION

This performance audit* covers the Michigan Higher Education Assistance Authority's (MHEAA's) administration of private colleges' and universities' competitive scholarship and tuition grant programs for the fall 1998 semester, adult part-time grant and Michigan work-study programs for the 1997-98 academic period, and degree reimbursements for degrees conferred during fiscal year 1997-98.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General and was mandated by Act 271, P.A. 1998, the annual appropriations act for State institutions of higher education and certain State purposes related to education.

The purposes of our audit were to determine that grant recipients met eligibility requirements, that private colleges and universities appropriately accounted for the adult part-time grants and Michigan work-study awards, and that private colleges and universities requested reimbursement for only eligible degrees conferred.

* See glossary on page 17 for definition.

BACKGROUND

MHEAA, through the Department of Treasury, is responsible for administering private college and university competitive scholarships, tuition grants, adult part-time grants, Michigan work-study awards, and degree reimbursements. For the 1998-99 academic period, the Legislature appropriated \$32.4 million for competitive scholarships and \$59.1 million for tuition grants. For the 1997-98 academic period, it appropriated \$2.6 million for adult part-time grants and \$7.1 million for Michigan work-study awards. For fiscal year 1998-99, the Legislature also appropriated \$6.1 million for general, nursing, and allied health degrees and \$4.6 million for dental degrees conferred during fiscal year 1997-98.

**AUDIT OBJECTIVES
AND CONCLUSIONS**

Audit Objective: To determine whether students at private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements stated in the enabling legislation and the appropriations act.

Conclusion: In general, students at private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements. However, we noted a reportable condition* related to Michigan work-study awards (Finding 1).

Audit Objective: To determine whether the private colleges and universities appropriately accounted for adult part-time grant and Michigan work-study funds.

* See glossary on page 17 for definition.

Conclusion: The private colleges and universities appropriately accounted for these funds.

Audit Objective: To determine whether the private colleges and universities requested reimbursement for only eligible degrees earned by Michigan residents.

Conclusion: The private colleges and universities requested reimbursement for only eligible degrees earned by Michigan residents.

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine, at 9 of the 49 private colleges and universities, selected records supporting the competitive scholarships and tuition grants awarded for the fall 1998 semester, adult part-time grants and Michigan work-study funds awarded during the 1997-98 academic period, and degrees conferred during fiscal year 1997-98 and submitted for reimbursement in fiscal year 1998-99. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The private colleges and universities included in our review were:

Andrews University
Cranbrook Academy of Art
Davenport College - Lansing Campus
Grace Bible College
Great Lakes Christian College
Hillsdale College
Olivet College

Spring Arbor College
Suomi College

We selected 9 private colleges and universities to be audited and obtained grant award, financial, and academic data from the Department of Education. We interviewed personnel responsible for preparing and reporting the data at each college and university. We tested legal residency, tuition and fee rates, student accounts, financial aid and grant award data, student credit hours, class drop and add adjustments, academic progress, and degrees offered and awarded. Also, we examined college and university records related to the receipt of awards and their distribution to the students' accounts.

**AGENCY RESPONSES
AND PRIOR AUDIT
FOLLOW-UP**

Our audit report includes 1 finding and 1 corresponding recommendation. MHEAA's preliminary response indicated that it concurred with our recommendation.

MHEAA, in conjunction with the private colleges and universities, resolved all of the audit exceptions identified in our prior audit report.

The Honorable Harry Gast, Chairman
Senate Appropriations Committee
Michigan State Senate
and
The Honorable Terry Geiger, Chairman
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan

Dear Senator Gast and Representative Geiger:

This is our report on the 1998-99 performance audit of Private Colleges' and Universities' Enrollments, Michigan Higher Education Assistance Authority, Department of Treasury.

This report contains our executive digest; description of programs; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, finding, recommendation, and agency preliminary response; a summary of exceptions by college or university and program, presented as supplemental information; and a glossary of acronyms and terms.

Our comments, finding, and recommendation are organized by audit objective. The agency preliminary response was taken from the agency's response subsequent to our audit fieldwork.

We appreciate the courtesy and cooperation extended to us by the Michigan Higher Education Assistance Authority, Department of Treasury, and the private colleges and universities.

AUDITOR GENERAL

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TABLE OF CONTENTS

PRIVATE COLLEGES' AND UNIVERSITIES' ENROLLMENTS MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY DEPARTMENT OF TREASURY

INTRODUCTION

	<u>Page</u>
Executive Digest	1
Report Letter	5
Description of Programs	8
Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up	10

COMMENTS, FINDING, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE

Competitive Scholarship, Tuition Grant, Adult Part-Time Grant, and Michigan Work-Study Programs	12
1. Michigan Work-Study Awards	13
Accounting for Adult Part-Time Grant and Michigan Work-Study Funds	13
Degree Reimbursement Program	14

SUPPLEMENTAL INFORMATION

Summary of Exceptions by College or University and Program	16
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GLOSSARY

Glossary of Acronyms and Terms	17
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Description of Programs

The Michigan Higher Education Assistance Authority (MHEAA), through the Department of Treasury, is responsible for administering four programs for students attending private colleges and universities: competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards. MHEAA is also responsible for administering the private college and university degree reimbursement program.

Act 208, P.A. 1964 (Sections 390.971 - 390.981 of the *Michigan Compiled Laws*), established the competitive scholarship program. This program provides scholarships to Michigan residents attending eligible Michigan colleges and universities.

Act 313, P.A. 1966 (Sections 390.991 - 390.997a of the *Michigan Compiled Laws*), established the tuition grant program. This program provides grants to Michigan residents enrolled in independent nonprofit colleges and universities.

Act 102, P.A. 1986 (Sections 390.1281 - 390.1288 of the *Michigan Compiled Laws*), established the adult part-time grant program. This program provides grants to undergraduate independent students who are Michigan residents enrolled part-time at approved Michigan colleges and universities.

The Michigan work-study program was originally established by an appropriations act for fiscal year 1986-87 (Act 219, P.A. 1986) and was continued by Act 288, P.A. 1986 (Sections 390.1371 - 390.1382 of the *Michigan Compiled Laws*), for undergraduates and Act 303, P.A. 1986 (Sections 390.1321 - 390.1332 of the *Michigan Compiled Laws*), for graduates. This program provides eligible students attending Michigan colleges and universities with subsidized part-time employment.

The adult part-time grant and Michigan work-study programs are college- and university-based programs. The funds are paid to the colleges and universities, and the colleges and universities are responsible for selecting grant recipients and disbursing the grant awards.

Separate degree reimbursement programs were combined under Act 75, P.A. 1974, as amended (Sections 390.1021 - 390.1027 of the *Michigan Compiled Laws*).

Accordingly, reimbursement is provided to each approved nonprofit institution of higher education for degrees conferred on Michigan residents during the prior year.

Appropriations are provided for reimbursement for associate degrees, bachelor's or master's degrees, doctor of dental surgery degrees, doctor of dental medicine degrees, and baccalaureate or master's degrees in nursing and certain allied health fields.

For the 1998-99 academic period, the Legislature appropriated \$32.4 million for competitive scholarships and \$59.1 million for tuition grants. For the 1997-98 academic period, it appropriated \$2.6 million for adult part-time grants and \$7.1 million for Michigan work-study awards. For fiscal year 1998-99, the Legislature also appropriated \$6.1 million for general, nursing, and allied health degrees and \$4.6 million for dental degrees conferred during fiscal year 1997-98.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit of Private Colleges' and Universities' Enrollments, Michigan Higher Education Assistance Authority (MHEAA), Department of Treasury, had the following objectives:

1. To determine whether students at private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements stated in the enabling legislation and the appropriations act.
2. To determine whether the private colleges and universities appropriately accounted for adult part-time grant and Michigan work-study funds.
3. To determine whether the private colleges and universities requested reimbursement for only eligible degrees earned by Michigan residents.

Audit Scope

Our audit scope was to examine, at 9 of the 49 private colleges and universities, selected records supporting the competitive scholarships and tuition grants awarded for the fall 1998 semester, adult part-time grants and Michigan work-study funds awarded during the 1997-98 academic period, and degrees conferred during fiscal year 1997-98 and submitted for reimbursement in fiscal year 1998-99. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The private colleges and universities included in our review were:

Andrews University
Cranbrook Academy of Art
Davenport College - Lansing Campus
Grace Bible College

Great Lakes Christian College
Hillsdale College
Olivet College
Spring Arbor College
Suomi College

Audit Methodology

We selected 9 private colleges and universities to be audited and obtained grant award, financial, and academic data from the Department of Education. We interviewed personnel responsible for preparing and reporting the data at each college and university. We tested legal residency, tuition and fee rates, student accounts, financial aid and grant award data, student credit hours, class drop and add adjustments, academic progress, and degrees offered and awarded. Also, we examined college and university records related to the receipt of awards and their distribution to the students' accounts.

Agency Responses and Prior Audit Follow-Up

Our audit report includes 1 finding and 1 corresponding recommendation. MHEAA's preliminary response indicated that it concurred with our recommendation.

The agency preliminary response which follows our first comment and the recommendation in our report was taken from MHEAA's written comments and oral discussion subsequent to our audit fieldwork.

MHEAA, in conjunction with the private colleges and universities, resolved all of the audit exceptions identified in our prior audit report.

COMMENTS, FINDING, RECOMMENDATION, AND AGENCY PRELIMINARY RESPONSE

COMPETITIVE SCHOLARSHIP, TUITION GRANT, ADULT PART-TIME GRANT, AND MICHIGAN WORK-STUDY PROGRAMS

COMMENT

Audit Objective: To determine whether students at private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements stated in the enabling legislation and the appropriations act.

Conclusion: In general, students at private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards met eligibility requirements. However, we noted a reportable condition related to Michigan work-study awards.

Our review of 495 students who received grants and awards disclosed 9 instances in which students did not meet eligibility requirements, 2 students who received awards in excess of the maximum award for the adult part-time grant program, and 1 student who received a tuition grant that was greater than the tuition and fees assessed. We referred these 12 items to the Michigan Higher Education Assistance Authority (MHEAA) for follow-up.

AGENCY PRELIMINARY RESPONSE

MHEAA agreed with this conclusion and has asked the colleges and university to provide evidence of the students' eligibility for program funds. In cases when the colleges and university cannot supply records supporting eligibility, appropriate refunds, award adjustments, or cancellations will be required.

MHEAA also requested explanations regarding the overawards to the student accounts. Evaluation of explanations will be undertaken to determine appropriate dispositions

FINDING

1. Michigan Work-Study Awards

Andrews University had a high error rate in complying with the eligibility requirements of the Michigan work-study program.

Of 25 students reviewed in the Michigan work-study program, 6 (24%) were not eligible to receive the award granted by Andrews University. The total amount of the 6 awards was \$14,279.

A high error rate could indicate a weakness in controls related to the University's Michigan work-study program.

RECOMMENDATION

We recommend that MHEAA review Andrews University's overall program controls related to Michigan work-study awards.

AGENCY PRELIMINARY RESPONSE

MHEAA agreed with this recommendation and will review Andrews University's overall program controls related to Michigan work-study awards in accordance with MHEAA's established procedure.

ACCOUNTING FOR ADULT PART-TIME GRANT AND MICHIGAN WORK-STUDY FUNDS

COMMENT

Audit Objective: To determine whether the private colleges and universities appropriately accounted for adult part-time grant and Michigan work-study funds.

Conclusion: The private colleges and universities appropriately accounted for these funds.

DEGREE REIMBURSEMENT PROGRAM

COMMENT

Audit Objective: To determine whether the private colleges and universities requested reimbursement for only eligible degrees earned by Michigan residents.

Conclusion: The private colleges and universities requested reimbursement for only eligible degrees earned by Michigan residents. Our review of 174 degrees submitted for reimbursement disclosed no ineligible degrees.

SUPPLEMENTAL INFORMATION

PRIVATE COLLEGES' AND UNIVERSITIES' ENROLLMENTS
 Michigan Higher Education Assistance Authority
 Department of Treasury
Summary of Exceptions by College or University and Program

<u>College</u>	Fall 1998		Academic Period 1997-98		Reimbursement for Degrees Conferred in Fiscal Year 1997-98
	<u>Semester</u>		Adult	Michigan	
	<u>Competitive</u> <u>Scholarships</u>	Tuition <u>Grants</u>	<u>Part-Time</u> <u>Grants</u>	<u>Work-Study</u> <u>Awards</u>	
Andrews University				6	
Davenport College - Lansing Campus			1	1	
Grace Bible College		1			
Suomi College			2	1	
Totals	<u>0</u>	<u>1</u>	<u>3</u>	<u>8</u>	<u>0</u>

Glossary of Acronyms and Terms

MHEAA	Michigan Higher Education Assistance Authority.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.