

PERFORMANCE AUDIT
OF
PRIVATE COLLEGES' AND UNIVERSITIES' ENROLLMENTS

MICHIGAN HIGHER EDUCATION ASSISTANCE AUTHORITY
DEPARTMENT OF TREASURY

1999-2000

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 1999-2000 fall semester, adult part-time grant and Michigan work-study programs for the 1998-99 academic period, and degree reimbursements for degrees conferred during fiscal year 1998-99.

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 93, P.A. 1999, 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.

BACKGROUND

MHEAA, through the Department of Treasury, is responsible for administering private college and university

* See glossary at end of report for definition

competitive scholarships, tuition grants, adult part-time grants, Michigan work-study awards, and degree reimbursements. For the 1999-2000 academic period, the Legislature appropriated \$33.4 million for competitive scholarships and \$61.1 million for tuition grants. For the 1998-99 academic period, it appropriated \$2.6 million for adult part-time grants and \$7.3 million for Michigan work-study awards. For fiscal year 1999-2000, the Legislature also appropriated \$7.9 million for general, nursing, and allied health degrees and \$4.8 million for dental degrees conferred during fiscal year 1998-99.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To determine whether students at selected 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 the private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards that we reviewed met the eligibility requirements.

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

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

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

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

AUDIT SCOPE

Our audit scope was to examine, at 10 of the 49 private colleges and universities, selected records supporting the competitive scholarships and tuition grants awarded for the 1999-2000 fall semester, adult part-time grants and Michigan work-study funds awarded during the 1998-99 academic period, and degrees conferred during fiscal year 1998-99 and submitted for reimbursement in fiscal year 1999-2000. 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 audit were:

- Albion College
- Baker College - Eastern Michigan
- Baker College - Jackson
- Baker College - Owosso
- Kalamazoo College
- Kettering University
- Madonna University
- Reformed Bible College
- Saint Mary's College
- Siena Heights University

We selected 10 private colleges and universities to be audited and obtained grant award, financial, and academic data from the Department of Treasury. 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**

MHEAA agreed with the audit exceptions noted in this report and informed us that it has followed up with the cited colleges and university.

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

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

Dear Senator Gast and Representative Geiger:

This is our report on the 1999-2000 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 and agency preliminary responses; a summary of exceptions by college or university and program, presented as supplemental information; and a glossary of acronyms and terms.

Our comments 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 and the private colleges and universities.

AUDITOR GENERAL

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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 by 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 nonpublic 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 1999-2000 academic period, the Legislature appropriated \$33.4 million for competitive scholarships and \$61.1 million for tuition grants. For the 1998-99 academic period, it appropriated \$2.6 million for adult part-time grants and \$7.3 million for Michigan work-study awards. For fiscal year 1999-2000, the Legislature also appropriated \$7.9 million for general, nursing, and allied health degrees and \$4.8 million for dental degrees conferred during fiscal year 1998-99.

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 selected 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 selected private colleges and universities appropriately accounted for adult part-time grant and Michigan work-study funds.
3. To determine whether selected private colleges and universities requested reimbursement for only eligible degrees earned by Michigan residents.

Audit Scope

Our audit scope was to examine, at 10 of the 49 private colleges and universities, selected records supporting the competitive scholarships and tuition grants awarded for the 1999-2000 fall semester, adult part-time grants and Michigan work-study funds awarded during the 1998-99 academic period, and degrees conferred during fiscal year 1998-99 and submitted for reimbursement in fiscal year 1999-2000. 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 audit were:

Albion College
Baker College - Eastern Michigan
Baker College - Jackson

Baker College - Owosso
Kalamazoo College
Kettering University
Madonna University
Reformed Bible College
Saint Mary's College
Siena Heights University

Audit Methodology

We selected 10 private colleges and universities to be audited and obtained grant award, financial, and academic data from the Department of Treasury. 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

MHEAA agreed with the exceptions noted in this audit report and informed us that it has followed up with the cited colleges and university.

The agency preliminary response, which follows our first and third comments, was taken from MHEAA's written comments and oral discussion subsequent to our audit fieldwork.

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

COMMENTS AND AGENCY PRELIMINARY RESPONSES

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

COMMENT

Audit Objective: To determine whether students at selected 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 the private colleges and universities receiving competitive scholarships, tuition grants, adult part-time grants, and Michigan work-study awards that we reviewed met the eligibility requirements.

Our review of 710 students who received scholarships, grants, and awards disclosed 2 instances in which the students did not meet eligibility requirements for the adult part-time grant program. We referred these items to the Michigan Higher Education Assistance Authority (MHEAA) for follow-up.

AGENCY PRELIMINARY RESPONSE

MHEAA agreed with the audit exceptions noted and informed us that it has followed up with the cited college and university to verify the students' eligibility for program funds. If the college and university cannot supply records supporting eligibility, appropriate refunds and adjustments will be required.

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

COMMENT

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

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

DEGREE REIMBURSEMENT PROGRAM

COMMENT

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

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

Our review of 299 degrees submitted for reimbursement disclosed 3 ineligible degrees. In 1 instance, the student did not earn the required number of credit hours to graduate. In 2 instances, the students did not meet the residency requirements. We referred these items to MHEAA for follow-up.

AGENCY PRELIMINARY RESPONSE

MHEAA agreed with the audit exceptions noted and informed us that it has followed up with the cited colleges and university to verify the students' eligibility for program funds. If the colleges and university cannot supply records supporting eligibility, appropriate refunds and adjustments will be required.

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 or University</u>	1999-2000		Academic Period		Reimbursement for Degrees Conferred in Fiscal Year 1998-99
	<u>Fall Semester</u>		1998-99		
	Competitive <u>Scholarships</u>	Tuition <u>Grants</u>	Adult Part-Time <u>Grants</u>	Michigan Work-Study <u>Awards</u>	
Albion College					1
Kettering University					1
Madonna University			1		
Reformed Bible College			1		1
Totals	<u>0</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>3</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.