

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 19, 2016

Dr. Richard Guarasci
President
Wagner College
1 Campus Road
Staten Island, NY 10301

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

Ms. MaryEllen Elia
Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Re: Audit of the State Financial Aid Program
at Wagner College
Report 2015-T-3

Dear Dr. Guarasci, Ms. Magee, and Ms. Elia:

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

Summary

We tested the accuracy of Wagner's certifications by reviewing a sample of 150 randomly selected awards, totaling \$211,411, from the three academic years ended June 30, 2014. We determined that Wagner was overpaid \$97,947 because school officials incorrectly certified

certain students as eligible for State financial aid.

We disallowed 11 of the sampled awards totaling \$13,721. The disallowed awards include those made on behalf of students who were not enrolled and students who were not in good academic standing. Our statistical projection of these 11 awards to the school's award population for the three-year review period results in an audit disallowance of \$80,636. We also disallowed another 11 awards, totaling \$17,311, relating to awards made on behalf of some of the sampled students outside of the three-year review period (either prior to July 1, 2011 or after June 30, 2014).

Therefore, we recommend that the Higher Education Services Corporation (HESC) recover the \$97,947 (\$80,636 + \$17,311), plus applicable interest, from Wagner for its incorrect certifications (see table on page 3). We also recommend that State Education Department (SED) and HESC officials work with Wagner officials to help ensure their future compliance with all of the State financial aid requirements cited in our report. We further recommend that Wagner officials take steps to comply with the State Education Law and the Commissioner of Education's Rules and Regulations when certifying students for State financial aid.

Background

TAP is the largest of the various student grant and scholarship programs administered by HESC. It is an entitlement program designed to help eligible students pay tuition in post-secondary New York schools. HESC also administers a variety of State scholarship programs. Schools receiving State financial aid payments are responsible for certifying student eligibility. Wagner officials certified 2,148 awards for the three academic years ended June 30, 2014.

Founded in 1883, Wagner is a four-year private college located in Staten Island. Wagner is approved by SED to offer programs in the arts, business, nursing, physician's assistant, and teacher education. Annual tuition for a full-time day student is approximately \$42,000 and current enrollment is approximately 1,700 undergraduate students. For the three academic years ended June 30, 2014, Wagner received approximately \$3.0 million in State financial aid for the benefit of its students.

We provided a draft copy of this report to HESC, SED, and Wagner officials for their review and comment. We considered their comments in preparing this final audit report. In response to our draft report, HESC officials agreed with our disallowances regarding the TAP awards made to students who were not enrolled during the associated semesters; the award made to a student who did not meet the TAP residency requirement; and the awards that were not credited to student accounts in a timely manner. They deferred to SED officials regarding the remaining issues. SED officials agreed to work with Wagner officials to ensure future compliance with TAP requirements. Wagner officials did not respond to our disallowances in writing, but informed us that they did not dispute our recommended disallowances.

Audit Results

The following table summarizes our audit disallowances:

Disallowed Payments During the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Good Academic Standing	4	\$5,911
Students Not Enrolled	3	2,917
Students Not Demonstrating Their Academic Preparedness	2	3,393
Student Not Meeting Residency Requirements	1	2,500
Awards Not Fully Credited to Student Accounts	<u>2</u>	<u>1,500</u>
Total Disallowance from the Sample Period	12	\$16,221
Minus: Award Disallowed for Multiple Reasons	<u>(1)</u>	<u>(2,500)</u>
Net Disallowance from the Sample Period	<u>11</u>	<u>\$13,721</u>
Projected Amount for the Sample Period		<u>\$80,636</u>

Disallowed Payments Outside the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Good Academic Standing	6	\$8,761
Students Not in Full-Time Attendance	5	6,474
Students Not Demonstrating Their Academic Preparedness	2	5,065
Students Not Meeting Residency Requirements	<u>2</u>	<u>5,065</u>
Total Disallowance from Outside the Sample Period	15	\$25,365
Minus: Awards Disallowed for Multiple Reasons	<u>(4)</u>	<u>(8,054)</u>
Net Disallowances from Outside the Sample Period	<u>11</u>	<u>\$17,311</u>

Total Disallowance	
Total Disallowance (Projected Amount + Net Disallowance from Outside the Sample Period)	<u>\$97,947</u>

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

Students Not in Good Academic Standing

The Education Law (Law) cites eligibility criteria for State financial aid. Section 665(6) of the Law requires students to be in good academic standing, as defined by the Commissioner of Education, to qualify for State financial aid. To maintain such standing, a student is required by Section 145-2.2 of the Commissioner's Rules and Regulations (Regulations) to pursue the program of study in which he or she is enrolled. A student is pursuing an 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 (pursuant to Section 145-2.1 of the Regulations) required to qualify for the appropriate level of State aid. Wagner students generally enroll in courses that are worth one unit each, and a unit is equivalent to 3.33

credits. Since the minimum full-time course load, established by SED to receive TAP, is generally 12 credits, a full-time course load at Wagner is four units (13.32 credits).

A student who fails to maintain good academic standing is not eligible for State financial aid. However, a student can regain good academic standing by: (a) pursuing the program of study in which he or she is enrolled and making satisfactory progress toward the completion of his or her program's academic requirements; or (b) establishing in some other way, to the satisfaction of the Commissioner, the ability to successfully complete an approved program (e.g., making up deficiencies at his or her own expense, obtaining a waiver, remaining out of school for at least one calendar year, or transferring to another institution).

We disallowed ten awards (four from our statistical sample period and six from outside the period) paid to Wagner on behalf of eight students who did not maintain good academic standing. These students did not earn a passing or failing grade in enough courses, applicable to their designated programs, to meet the pursuit of program requirements.

School officials agreed with these disallowances.

Students Not Enrolled

To qualify for State financial aid, the Law requires the student to be matriculated in an approved program, and in attendance. Section 665(3)(a) states that institutions should certify student eligibility for a term only when the student has incurred a full tuition liability for that term and has satisfied all other eligibility requirements.

We disallowed three awards from our statistical sample period that were paid to Wagner on behalf of three students who were improperly certified by Wagner as State aid-eligible for semesters that they were not enrolled in classes. School officials inappropriately reported to HESC that they charged each of these students, who had attended Wagner during semesters prior to our audit period, tuition during the sampled semesters. However, the three students were not enrolled at Wagner for the semesters in question and, therefore, Wagner did not charge the students tuition for those semesters.

School officials agreed with these disallowances.

Students Not Demonstrating Their Academic Preparedness

Section 661 of the Law provides students with three options to demonstrate their academic preparedness. Students who received their first financial aid payment in the 2007-08 academic year or later must have a certificate of graduation from a U.S. high school or the recognized equivalent, or achieved a passing score on a federally approved "ability to benefit" test that has been identified by the Board of Regents as satisfying eligibility requirements and that is independently administered and evaluated.

We disallowed four awards (two from our statistical sample period and two from outside

the period) paid on behalf of two students who did not demonstrate their academic preparedness. Wagner officials did not provide documentation of a U.S. high school diploma, the recognized equivalent thereof, or the successful passing of a federally approved ability to benefit test for these students.

School officials agreed with these disallowances.

Student Not Meeting Residency Requirements

Section 661 of the Law requires that an applicant for a TAP award at the undergraduate level of study be a legal resident of New York State for at least one year immediately preceding the beginning of the semester or quarter for which an award is made, or be a legal resident of New York State during his/her last two semesters of high school. HESC's Manual of Programs and Procedures requires institutions to specifically review the eligibility for awards for any student whose New York State residency is questionable and to refrain from taking any certification activity until the student's residency has been determined.

We disallowed three awards (one from our statistical sample period and two from outside the period) paid on behalf of a student for whom we found insufficient proof that she satisfied the New York State residency requirement. The student graduated from a high school in Egypt in June 2011 and began at Wagner during fall 2011.

School officials initially disagreed with these disallowances, stating that HESC's website contained information which substantiated that the student was a New York resident. However, we sent a screenshot of the pertinent information to HESC officials, and they responded that the information provided in the screenshot did not substantiate the student's residency. Subsequently, Wagner officials acknowledged that the student's awards were improper.

Awards Not Fully Credited to Students' Accounts

Section 2205.3(e)(1)(iii) of the Regulations requires that each student's account be credited within seven days of the school's receipt of a State financial aid award, or within seven days from the date the applicant incurred a full tuition liability for the semester, whichever is later.

We disallowed two awards from our statistical sample period paid to Wagner that were not fully credited to two students' accounts.

School officials agreed with these disallowances.

Students Not in Full-Time Attendance

Section 661(4)(c) of the Law provides for the Commissioner to define 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 to Chief Executive Officers of Postsecondary Institutions in New York State (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."

We disallowed five awards from outside the sample period paid to Wagner on behalf of five students who did not meet the full-time requirement. These students, while enrolled for the full-time number of credits (units), did not enroll in at least 12 credits (four units) required for their designated program of study.

School officials agreed with these disallowances.

Recommendation to Wagner

1. Comply with the State Education Law and the Commissioner of Education's Rules and Regulations when certifying students for State financial aid.

Recommendation to HESC

2. Recover \$97,947, plus applicable interest, from Wagner for its incorrect State financial aid certifications.

Recommendation to HESC and SED

3. Work with Wagner officials to help ensure their future compliance with the State financial aid requirements cited in this report.

Audit Scope

According to HESC records, for the three academic years ended June 30, 2014, Wagner officials certified 2,148 awards totaling almost \$3 million for 635 students. We audited a random sample of 150 of these awards (totaling \$211,411) paid on behalf of 134 students to determine whether the awards were certified appropriately. We also reviewed other awards paid to our sampled students through the spring 2015 semester. These other awards are not included in our projection, but are included in our disallowances as appropriate. Our audit did not include a review of HESC processes to determine student award amounts.

Methodology

We conducted our 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 objective. We believe that the evidence obtained during this audit provides a reasonable basis for our findings and conclusions based on our audit objective.

In planning and performing our audit of Wagner, we reviewed management’s internal control system relating to its State financial aid operations. 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. To project our audit disallowance from our sample to Wagner’s award population, we used a statistically valid sampling methodology with a 95 percent confidence level.

Wagner officials are responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Wagner’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 State awards were eligible for them – and not to provide an opinion on Wagner’s overall compliance with such provisions. Our audit found that, for the transactions and records tested, Wagner officials generally complied with these provisions, except as noted in the 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 accounting standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Authority

We performed this audit pursuant to 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.

Contributors to the Report

Major contributors to this report were Cindi Frieder, Gene Brenenson, Dana Bitterman, Manna Zhen, Kenneth Coleman, and David DiNatale.

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

Very truly yours,

Frank P. Patone, CPA
Audit Director

cc: John Carrescia, Wagner College