

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 27, 2017

Reverend Joseph M. McShane, SJ
President
Fordham University
441 East Fordham Road
Bronx, NY 10458

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 Fordham University
Report 2016-T-2

Dear Reverend McShane, 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 Fordham University (Fordham) officials complied with the State Education Law (Law) and the Commissioner of Education's Rules and Regulations (Regulations) when certifying students for State financial aid.

Summary

We tested a random sample of 75 awards, totaling \$123,157, certified during the three academic years ended June 30, 2014. We determined that Fordham was overpaid \$104,630 because school officials incorrectly certified certain students as eligible for State financial aid.

We disallowed five of the sampled awards totaling \$6,852. The disallowed awards include those made on behalf of students who did not meet the full-time attendance requirement and students who were not in good academic standing. Our statistical projection of these five awards to the school's award population for the three-year review period results in an audit disallowance of \$95,377. We also disallowed another six awards, totaling \$9,253, relating to awards made on behalf of some of the sampled students outside of the three-year review period (both prior to July 1, 2011 or after June 30, 2014).

We recommend that the Higher Education Services Corporation (HESC) recover the \$104,630 in overpayments, plus applicable interest, from Fordham for its incorrect certifications (see table on page 3 of this report). We also recommend that Fordham officials take steps to comply with the Law and the Regulations when certifying students for State financial aid. We further recommend that State Education Department (SED) and HESC officials work with Fordham officials to help ensure their future compliance with all of the State financial aid requirements cited in our report.

Background

TAP is the largest of the student grant and scholarship programs administered by HESC. It is an entitlement program designed to help eligible students pay tuition charges in New York-based postsecondary schools. HESC also administers a variety of State scholarship programs. Schools receiving State financial aid payments are responsible for certifying student eligibility. For the three academic years ended June 30, 2014, Fordham officials certified 8,739 awards totaling \$14.4 million, on behalf of 2,638 students.

Fordham, a Jesuit Catholic University founded in 1841, operates four campuses in New York State: Rose Hill in the Bronx; Lincoln Center in Manhattan; Westchester in West Harrison; and the Louis Calder Center in Armonk. The school's enrollment for the 2015-16 academic year totaled 8,855 undergraduate students. Fordham offers degrees in various disciplines including business, English, philosophy, political science, pre-med, psychology, social work, and theology. Annual undergraduate tuition for the 2015-16 year was \$46,120.

We provided draft copies of this report to HESC, SED, and Fordham officials for their review and comment. Their comments were considered in preparing this final report. In their response, Fordham officials agreed with the audit's results and stated that they have already taken measures to protect the University and State aid from any future overpayments or potential disallowances. In addition, SED officials agreed with the recommendation addressed to them, while HESC officials deferred to SED as the three areas of disallowances related to SED regulatory issues.

Audit Results

The following table summarizes our audit disallowances:

Awards Disallowed During the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Good Academic Standing	2	\$3,244
Students Not in Full-Time Attendance	2	1,108
Student Not Demonstrating Academic Preparedness	<u>1</u>	<u>2,500</u>
Total Disallowance from the Sample Period	<u>5</u>	<u>\$6,852</u>
Projected Amount for the Sample Period		<u>\$95,377</u>

Awards Disallowed Outside the 3-Year Sample Period		
Reason	Awards	Amount
Students Not in Good Academic Standing	4	\$6,471
Students Not in Full-Time Attendance	<u>2</u>	<u>2,782</u>
Total Disallowance from Outside the Sample Period	<u>6</u>	<u>\$9,253</u>

Total Disallowance	
Total Disallowance (Projected Amount for Sample Period + Net Disallowance from Outside the Sample Period)	<u>\$104,630</u>

The disallowed awards 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

To qualify 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 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 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 required to qualify for the appropriate level of State aid.

A student who fails to maintain good academic standing is therefore 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., by making up the deficiencies at their own expense, obtaining a waiver, remaining out of school for at least one calendar year, or transferring to another institution).

We disallowed six awards (two from our statistical sample period and four from outside the period) that were paid on behalf of four students who did not maintain good academic standing. None of these four students earned a passing or failing grade in enough courses applicable to their designated programs.

Students Not in Full-Time Attendance

Section 661(4) (c) of the Law provides for the Commissioner of Education 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 (e.g., credits) for a semester of not less than 15 weeks or its equivalent.

In addition, SED's Memorandum to Chief Executive Officers of Postsecondary Institutions in New York State (No. 86-17) states: "basic to the payment of State student aid is the requirement that courses which 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 four awards (two from our statistical sample period and two from outside the period) that were paid on behalf of four students who did not meet the full-time requirement. All four students, while enrolled for the full-time number of credits, did not enroll in at least 12 credits that were applicable to their designated program of study.

Student Not Demonstrating 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.-based high school; the recognized equivalent of such certificate; or must have 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. According to guidance issued by SED, a student can earn a high school equivalency diploma through successful completion of 24 college credits distributed among six different academic categories, as prescribed by SED.

We disallowed one award (from our statistical sample period) that was paid on behalf of a student who did not demonstrate academic preparedness. Specifically, for this student, Fordham officials did not provide documentation of: a U.S.-based high school diploma; the recognized equivalent of such certificate; or the successful passing of a federally approved ability-to-benefit test. According to Fordham officials, the student earned more than the 24 credits needed to qualify for a New York State High School Equivalency Diploma.

We maintain that the student did not demonstrate academic preparedness, as otherwise required by the Law. For a student who has passed 24 or more college credits, to apply toward a high school equivalency diploma, a course in the Natural Sciences (e.g., Biology, Chemistry, or Physics) had to be successfully completed. To meet the Natural Science requirement, Fordham applied a Psychology course taken by the student. However, according to SED, a Psychology course

should be applied toward the high school equivalency program's Social Science requirement. Hence, the Psychology course did not meet the Natural Science requirement. Moreover, based on our review of the student's overall academic record, we concluded that the student had not fulfilled the Natural Science requirement.

Recommendation to HESC

1. Recover \$104,630, plus applicable interest, from Fordham for its incorrect State financial aid certifications.

Recommendation to Fordham

2. Comply with the Law and the Regulations when certifying students for State financial aid.

Recommendation to HESC and SED

3. Work with Fordham 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, Fordham officials certified 8,739 awards totaling \$14.4 million for 2,638 students. We reviewed a sample of 75 randomly selected State financial aid awards, totaling \$123,157, paid on behalf of 72 students during that period. We also reviewed other awards paid to our sampled students through the spring 2016 semester. 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 obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and performing our audit of Fordham, 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.

Fordham officials are responsible for complying with the Law and Regulations. In connection with our audit, we performed tests of Fordham'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. Our objective was not to provide an opinion on Fordham's overall compliance with such provisions. Our audit found that, for the transactions and records tested, Fordham officials 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 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 Frank Patone, Cindi Frieder, Nicholas Angel, Peter Blanchett, Lillian Fernandes, and Amitai Mario Uriarte.

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

Very truly yours,

Kenrick Sifontes
Audit Director