



ANDREW M. CUOMO
Governor

GUILLERMO LINARES, Ed.D
Acting President

February 14, 2019

Mr. Stephen Goss
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236-0001

Re: Audit 2017-S-75

Dear Mr. Goss:

I provide this update, as required by Section 170 of the Executive Law, to advise what steps have been taken by the New York State Higher Education Services Corporation (HESC) to implement the recommendations contained in the New York State Office of the State Comptroller's (OSC) Audit Report 2017-S-75.

HESC continues to carefully consider each finding and recommendation as it works towards the solutions provided in our October 18, 2018 response to the Audit Report.

Findings:

Finding 1: Approval for Eligibility

OSC Finding 1: *HESC approved some applicants for the Program who were not eligible, which could cause inappropriate distribution of STEM funds in the future. Furthermore, HESC does not have an adequate internal second-layer review process to ensure that applicants are eligible and their applications are complete.*

Response: This finding was fully addressed as part of our October 18, 2018 response.

OSC Finding 1, con'd: *HESC relies solely on high schools' certification to ensure that recipients are in the top 10 percent of their classes.*

Response: This finding was fully addressed as part of our October 18, 2018 response.

Finding 2: Ineligible Program Award Payments

OSC Finding 2: *We reviewed recipient records at the three universities that received the most Program payments from January 1, 2014 through January 23, 2018: SUNY Binghamton, SUNY Buffalo, and SUNY Stony Brook. We found 20 individuals received \$81,198 in ineligible awards, which covered 28 semesters (terms).*

Response: HESC has requested information from SUNY Binghamton, SUNY Buffalo and SUNY Stony Brook to support the certification of the \$81,198 in noted award payments. Where HESC finds that SUNY Binghamton, SUNY Buffalo and/or SUNY Stony Brook did not provide accurate certification information and an award was made to an ineligible student, steps will be taken to recover the disallowed funds from the applicable school.

OSC Finding 2, con'd: *HESC relies on the colleges to verify each term that recipients are eligible for payments. As evidenced by our findings in this area, this is not working in all instances.*

Response: In our October 18, 2018 response, we addressed the issue of control procedures and practices that have been put in place. The agency is moving forward with the modernization of its platform by actively recruiting to fill positions in preparation for the release of a Request for Proposal (RFP).

OSC Finding 2, con'd: *When we questioned university officials about these matters, they stated that HESC did not provide sufficient training and that it was difficult to get help from them.*

Response: HESC staff has developed the content for the online STEM certification training video for financial aid professionals and is in the process of developing the video component.

Finding 3: Pro-Rating Loans

OSC Finding 3: *Although it had not yet been applied to any recipients, HESC's STEM Compliance Procedures (Procedures) showed a policy to pro-rate loans across the board for any recipients who did not fulfill five-year work and residency requirements. This policy is contrary to HESC's regulations because it does not penalize graduates who fail to meet their service and residency requirements.*

Response: This finding was fully addressed as part of our October 18, 2018 response.

Finding 4: Data Reliability

OSC Finding 4: We reviewed multiple datasets generated from different HESC systems, with various recipient statuses representing different stages of the Program. We concluded that HESC data systems are antiquated, restrictive, and do not always produce reliable data. To the extent that these systems are also used for the State's TAP, STEM and 26 other scholarship and loan forgiveness programs, any improvements to address the deficiencies we identified may also assist HESC's efforts to monitor those programs.

Response: HESC is actively recruiting to fill positions in preparation for the release of an RFP for a state of the art application system that is reliable and efficient and that will provide all New York State students with current information regarding application processing and resolve system communication problems identified during the audit.

Please feel free to contact me at (518) 474-5592, or Ms. Christine Konsistorum, HESC Audit Director at (518) 474-4671, should you have any additional questions or require any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Guillermo Linares". The signature is stylized with a large initial "G" and a long horizontal stroke at the end.

Dr. Guillermo Linares
Acting President

