



New York State Comptroller
THOMAS P. DiNAPOLI

Audit of the Tuition Reimbursement Account for the Five Fiscal Years Ended March 31, 2018

State Education Department

Report 2019-S-3 | September 2019

Spotlight on Education



Audit Highlights

Objective

To express an opinion on the fair presentation of the Financial Statements of the Tuition Reimbursement Account for the five fiscal years ended March 31, 2018.

About the Program

Students are eligible for a tuition refund when they are enrolled in a post-secondary private school licensed by the State Education Department (Department), or in a business school registered with the Department, that closes before their education is complete. When such schools violate the Education Law §5001 (Law) – but remain in operation – students who drop out are also eligible for a tuition refund. Students in such schools are also eligible to have their student loans repaid by the Department. Chapter 887 of the Laws of 1990 created the Tuition Reimbursement Fund, now titled the Tuition Reimbursement Account (TRA), to protect the financial interests of these students. Chapter 887 of the Laws of 1990 also created the Proprietary Schools Vocational Supervision Account (SA) to support Bureau of Proprietary School Supervision (Bureau) operations. The Bureau monitors licensed private schools and registered business schools to ensure compliance with applicable provisions of the Law and the Commissioner of Education's Rules and Regulations (Regulations).

Key Findings

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TRA as of and for the five fiscal years ending March 31, 2018, and the respective changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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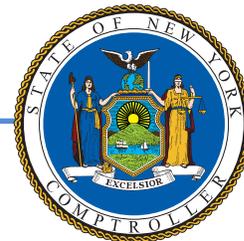
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Glossary of Terms

Abbreviation	Description	Identifier
Bureau	Bureau of Proprietary School Supervision	<i>Auditee Office</i>
Department	State Education Department	<i>Auditee</i>
Law	Education Law §5001	<i>Law</i>
Regulations	Regulations of the Commissioner of Education	<i>Law</i>
SA	Supervision Account	<i>Key Term</i>
TRA	Tuition Reimbursement Account	<i>Key Term</i>



Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the Tuition Reimbursement Account (TRA) as of and for the five fiscal years ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the TRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the TRA as of and for the five fiscal years ending March 31, 2018, and the respective changes in financial position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

The financial statements present only the TRA and are not intended to present fairly the financial position and results of operations of the New York State Education Department in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Under Section 5007 of the State Education Law, the Comptroller is required to audit TRA's financial statements, including their presentation, in accordance with generally accepted accounting principles. Auditor independence is a primary underpinning of financial statement audits as defined within generally accepted government auditing standards. As the State's

chief fiscal officer, the Comptroller's Office was responsible for processing financial transactions initiated by the State Education Department and for allocating interest earned to the TRA – both of which we do not consider material in nature to the audited financial statements of the TRA. Except for the extent that these mandated duties may conflict with independence requirements, our audit was conducted in accordance with generally accepted government auditing standards.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 6, 2019 on our consideration of the TRA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the TRA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the TRA's internal control over financial reporting and compliance.

*Office of the State Comptroller
Albany, NY
September 6, 2019*

State Education Department's Report

MANAGEMENT'S DISCUSSION AND ANALYSIS

The New York State Education Department's discussion and analysis provides an overview of the New York State Education Department's Tuition and Reimbursement Account's financial activities for the fiscal years ended March 31, 2014, March 31, 2015, March 31, 2016, , March 31, 2017, and , March 31, 2018. This section is an introduction and presents a summary of the activities of the tuition and reimbursement account (TRA) of the New York State Education Department (NYSED) based on currently known facts and conditions, and it should be read in conjunction with the New York State Education Department's Tuition and Reimbursement Account's financial statements, which immediately follow this section.

OVERVIEW OF THE NYSED TUITION AND REIMBURSEMENT ACCOUNT

The New York State Education Department's Tuition and Reimbursement Account receives revenues from schools located in New York State, licensed pursuant to Education Law Article 101. Licensed Private Career Schools and Certified English as a Second Language Schools, § 5001. Licensed private career schools, from annual assessments, fines, penalties, and settlements as defined in Education Law Article 101. Licensed Private Career Schools and Certified English as a Second Language Schools, § 5007. Tuition reimbursement account. Expenditures from the tuition reimbursement account consist of refunds made to students eligible as defined in the same, Education Law Article 101, § 5007.

In fiscal year 2013, changes in New York State law went into effect December 15, 2012, regarding the schools licensed pursuant to Education Law Article 101. Licensed Private Career Schools and Certified English as a Second Language Schools. The bureau responsible for the oversight of these schools, the Bureau of Proprietary School Supervision, BPPS, also made corresponding necessary changes to its outreach, education, and supervision of such schools.

BPPS implemented processes and hired additional personnel to more effectively regulate the licensing of schools, review the financial information submitted by schools to verify that the information submitted is in compliance with current reporting requirements, oversee that appropriate tuition income is reported for assessment purposes, and direct that the billing to the schools reflects the changes in the statute.

This information is provided to give the reader perspective when reviewing this financial report of the NYSED tuition and reimbursement account; most of the impact to the tuition and reimbursement account resulting from the changes in the statute and processes implemented regarding such will be for fiscal years ending March 31, 2014 and thereafter.

FINANCIAL HIGHLIGHTS

The tuition reimbursement account's fund balance for fiscal year ended March 31, 2018 was \$5,436,192, an increase of \$2,275,566 (72 percent) over the fund balance for fiscal year ended March 31, 2014 of \$3,160,626. However, the increase from fiscal year end fund balance March 31, 2017 to March 31, 2018 was only \$105,274 due to a sharp decrease in revenues.

Total revenues for the tuition reimbursement account for fiscal year ended March 31, 2018 were \$302,392, compared to \$1,011,379 for fiscal year ended March 31, 2017. The \$708,987 difference is attributable to a significant decrease in fines and penalties of \$303,723 with an additional \$312,522 transferred from the TRA to the Supervision Account as these were assessments that should have been posted to the Supervision Account instead of the TRA since the TRA balance was above the \$2 million threshold.

The TRA's expenditures consist of refunds less any reimbursements, record scanning costs, and collection fees. For the fiscal year ended March 31, 2018, there was a significant decrease of \$99,501 in total expenditures from fiscal year ended March 31, 2017. This resulted from record scanning costs dropping from \$200,000 to \$96,890; a decrease of \$103,110.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (MD&A) (this section), the basic financial statements, and required supplementary information, the notes to the financial statements. The basic financial statements include the financial statements, the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the Balance Sheet, which immediately follow this section, and were prepared using the modified accrual basis of accounting.

FINANCIAL ANALYSIS
 TABLE A
 NEW YORK STATE EDUCATION DEPARTMENT
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 AS OF FISCAL YEAR ENDED MARCH 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2014 to 2018</u> <u>Percent Change</u>
Revenues:						
Tuition Assessments	\$ 321,370	\$ 445,371	\$ 374,849	\$ 223,036	\$ 100,003	-68.88%
Fines and Penalties	194,500	885,823	423,770	786,316	482,593	148.12%
Interest	4,382	3,460	8,331	25,027	55,318	1,162.39%
Less: Transfer to Other Funds	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>(335,522)</u>	<u>1,358.79%</u>
Total Revenues	<u>\$ 497,252</u>	<u>\$ 1,311,654</u>	<u>\$ 783,950</u>	<u>\$ 1,011,379</u>	<u>\$ 302,392</u>	<u>-39.19%</u>
Expenditures:						
Refunds	\$ 89,375	\$ 194,047	\$ 94,719	\$ 95,839	\$ 47,453	-46.91%
Record Scanning Costs	0	0	200,056	200,000	96,890	N/A
Collection Fee	0	140,250	11,000	780	52,580	N/A
Refund Receivable Write-off	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>195</u>	<u>N/A</u>
Total Expenditures	<u>\$ 89,375</u>	<u>\$ 334,297</u>	<u>\$ 305,775</u>	<u>\$ 296,619</u>	<u>\$ 197,118</u>	<u>120.55%</u>
Net Revenues	\$ 407,877	\$ 977,357	\$ 478,175	\$ 714,760	\$ 105,274	-74.19%
Fund Balance-Beginning	<u>\$ 2,752,749</u>	<u>\$ 3,160,626</u>	<u>\$ 4,137,983</u>	<u>\$ 4,616,158</u>	<u>\$ 5,330,918</u>	<u>93.66%</u>
Fund Balance-Ending	<u>\$ 3,160,626</u>	<u>\$ 4,137,983</u>	<u>\$ 4,616,158</u>	<u>\$ 5,330,918</u>	<u>\$ 5,436,192</u>	<u>72.00%</u>

FINANCIAL ANALYSIS (continued)
 TABLE B
 NEW YORK STATE EDUCATION DEPARTMENT
 BALANCE SHEET AS OF MARCH 31

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2014 to 2018</u> <u>Percent Change</u>
Assets:						
Cash	\$ 3,139,152	\$ 3,609,663	\$ 3,978,109	\$ 4,750,296	\$ 4,669,102	48.74%
Receivables						
Fines and Penalties	44,500	527,750	636,320	578,181	761,592	1,611.44%
Interest	362	375	1,534	3,026	6,278	1,634.25%
Refund Receivable	195	195	195	195	0	-100.00%
Total Receivables	\$ 45,057	\$ 528,320	\$ 638,049	\$ 581,402	\$ 767,870	1,604.22%
Total Assets	\$3,184,209	\$4,137,983	\$4,616,158	\$5,331,698	\$5,436,972	70.75%
Long-term liabilities						
Payable to Supervision Account	\$ 0	\$ 0	\$ 0	\$ 780	\$ 780	N/A
Payable to Schools/other	23,583	0	0	0	0	-100.00%
Total liabilities	\$ 23,583	\$ 0	\$ 0	\$ 780	\$ 780	-96.69%
Fund Balance:	\$ 3,160,626	\$ 4,137,983	\$ 4,616,158	\$ 5,330,918	\$ 5,436,192	72.00%
Total Liabilities and Fund Balance:	\$ 3,184,209	\$ 4,137,983	\$ 4,616,158	\$ 5,331,698	\$ 5,436,972	70.75%

**CONTACTING THE NEW YORK STATE EDUCATION
DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the New York State Department of Education's tuition reimbursement account and to show the New York State Department of Education's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

New York State Department of Education
Attn: Mr. Andrew Klippel
89 Washington Ave
Albany, NY 12234
(518) 486-1708

Exhibit A

**State Education Department
Tuition Reimbursement Account
Statement of Revenues, Expenditures, and
Changes in Fund Balance
for the Fiscal Years Ended March 31, 2014, March 31, 2015,
March 31, 2016, March 31, 2017, and March 31, 2018**

	Fiscal Year Ended March 31,				
	2014	2015	2016	2017	2018
Revenues:					
Tuition Assessments (Note 8)	\$321,370	\$445,371	\$374,849	\$223,036	\$100,003
Fines/Penalties	194,500	885,823	423,770	786,316	482,593
Interest Income	4,382	3,460	8,331	25,027	55,318
Less: Transfer to Other Funds (Note 9)	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>	<u>(335,522)</u>
Total Revenues	<u>\$497,252</u>	<u>\$1,311,654</u>	<u>\$783,950</u>	<u>\$1,011,379</u>	<u>\$302,392</u>
Expenditures:					
Refunds (Note 10)	\$89,375	\$194,047	\$94,719	\$95,839	\$47,453
Record Scanning Costs	0	0	200,056	200,000	96,890
Collection Fee (Note 5)	0	140,250	11,000	780	52,580
Refund Receivable Write-off (Note 12)	0	0	0	0	195
Total Expenditures	<u>\$89,375</u>	<u>\$334,297</u>	<u>\$305,775</u>	<u>\$296,619</u>	<u>\$197,118</u>
Net Revenues	<u>\$407,877</u>	<u>\$977,357</u>	<u>\$478,175</u>	<u>\$714,760</u>	<u>\$105,274</u>
Fund Balance-Beginning	<u>\$2,752,749</u>	<u>\$3,160,626</u>	<u>\$4,137,983</u>	<u>\$4,616,158</u>	<u>\$5,330,918</u>
Fund Balance-Ending	<u>\$3,160,626</u>	<u>\$4,137,983</u>	<u>\$4,616,158</u>	<u>\$5,330,918</u>	<u>\$5,436,192</u>

Exhibit B

**State Education Department
Tuition Reimbursement Account
Balance Sheet as of March 31, 2014, March 31, 2015,
March 31, 2016, March 31, 2017, and March 31, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
As of March 31,					
Assets:					
Cash (Note 4)	\$3,139,152	\$3,609,663	\$3,978,109	\$4,750,296	\$4,669,102
Receivables:					
Fines/Penalties (Note 5)	\$44,500	\$527,750	\$636,320	\$578,181	\$761,592
Interest	362	375	1,534	3,026	6,278
Refund Receivable (Note 12)	<u>195</u>	<u>195</u>	<u>195</u>	<u>195</u>	<u>0</u>
Total Receivables	\$45,057	\$528,320	\$638,049	\$581,402	\$767,870
Total Assets	<u>\$3,184,209</u>	<u>\$4,137,983</u>	<u>\$4,616,158</u>	<u>\$5,331,698</u>	<u>\$5,436,972</u>
Liabilities					
Payable to Supervision Account (Note 6)	\$0	\$0	\$0	\$780	\$780
Payable to Schools/Other (Note 7)	23,583	0	0	0	0
Total Liabilities	<u>\$23,583</u>	<u>\$0</u>	<u>\$0</u>	<u>\$780</u>	<u>\$780</u>
Fund Balance	<u>\$3,160,626</u>	<u>\$4,137,983</u>	<u>\$4,616,158</u>	<u>\$5,330,918</u>	<u>\$5,436,192</u>
Total Liabilities and Fund Balance	<u>\$3,184,209</u>	<u>\$4,137,983</u>	<u>\$4,616,158</u>	<u>\$5,331,698</u>	<u>\$5,436,972</u>

Notes to the Financial Statements

1. Background

Students enrolled in post-secondary private schools licensed by the State Education Department (Department), and business schools registered with the Department, that close before the enrolled student's education is complete are eligible for a tuition refund. Students who drop out of such schools that have violated the Education Law (Law) – and remain operating – are also eligible for a tuition refund. Students in such schools are also eligible to have their student loans repaid by the Department. Chapter 887 of the Laws of 1990 created the Tuition Reimbursement Fund (Fund) now titled the Tuition Reimbursement Account (TRA) to protect the financial interests of these students.

Chapter 887 of the Laws of 1990 also created the Proprietary Schools Vocational Supervision Account (SA) to support Bureau of Proprietary School Supervision (Bureau) operations. The Bureau monitors licensed private schools and registered business schools to ensure compliance with applicable provisions of the Law and the Commissioner of Education's Rules and Regulations (Regulations). The TRA and related SA are financed by assessments on qualifying schools for eight-tenths of one percent of their respective gross tuition revenues. The Law directs the Department to credit three-tenths of one percent to the TRA and five-tenths of one percent to the SA. In addition, "English as a Second Language" (ESL) schools are subject to an initial TRA assessment upon obtaining their licensure. On June 1, 1993, the Law was amended to establish a TRA cap of \$1.8 million with no further annual assessments levied on schools that have paid 16 or more quarters of assessments unless the balance falls below \$1.3 million. In addition, any licensed private school, ESL school, or registered business school found to have violated the Law or related Regulations can be assessed a fine or penalty. The Law requires that these fines or penalties be deposited into the TRA.

Effective August 31, 1999, the State Legislature amended Article 101, Section 5007, Parts 1 and 10 of the Law, now requiring all schools, including ESL schools licensed after June 30, 1993, to pay a "special" assessment where all schools are to be assessed at a rate of three-tenths of one percent of their gross tuition revenue, except for ESL schools, which are to be assessed at a rate of two-tenths of one percent pursuant to the Commissioner's Regulations. The amount of the special assessment is based on each school's gross tuition revenue for its first three years of operations, whether the revenue is reported for full or partial years. The special assessment is payable

over four years from the date of enactment (five years for schools licensed after June 30, 1999). When the TRA balance exceeds \$2 million, the excess, as well as any subsequent assessments, is deposited into the SA. For the purpose of this provision, the TRA balance is calculated quarterly based on dates established by the Law (June 30, September 30, December 31, and March 31).

2. Basis of Accounting

The accompanying financial statements were prepared using the modified accrual basis of accounting. As such, revenues and related accounts receivable are recorded in the accounting period that they become both measurable and available. Expenditures and related liabilities are recorded in the accounting period when the liability is incurred and payment is due.

3. Accounting Records

The audited financial statements are based on the financial records maintained by the Department and are in agreement with those maintained by the Office of the State Comptroller.

4. Cash

The amount reported on the Statements as cash is the actual TRA balance as of the Statement date (per Statewide Financial System's NYGL0428 report) and is invested in the Short-Term Investment Pool (STIP) administered by the State Comptroller. All STIP funds are fully collateralized at each year-end. The payments that are received by Statement date and listed on SFS NYGL0428 report after Statement date are also included.

5. Fines/Penalties

Fines/penalties receivable are shown net of the 22 percent apportioned to the Attorney General's Office (AG) for fines referred to the AG for collection. As of March 31, 2018, all but \$39,250 in outstanding fines have been referred to the AG. The Department refers outstanding fines to the AG when the Department's collection attempts are unsuccessful. The Department assumes that these fines will be collected until such time as the AG indicates otherwise. As such, no allowance has been made for fines that may not be collected. As of March 31, 2018, the net amount of fines receivables sent to the AG totaled \$722,342.

6. Payable to Supervision Account

The Department refunded a student \$780 from the SA instead of the TRA. Subsequent to March 31, 2018, the Department transferred the \$780 from the TRA to the SA.

7. Payable to Schools/Other

Prior to the current audit period, the Department collected \$23,583 in English as Second Language initial certification assessments. However, the law authorizing the collection of these assessments was repealed prior to the previous audit period. Department officials previously agreed that these assessments were improperly collected and were refunded to the schools on June 18, 2014.

8. Tuition Assessments

Tuition assessments include regular and special assessments paid by all required schools as well as the initial assessment fees paid by newly licensed ESL schools. Deposits of tuition assessments follow the provisions of Section 5007 (10) of Education Law. If the TRA cash balance exceeds \$1.8 million during a quarter, the regular assessments on schools that have paid 16 or more quarters of assessments are suspended until the next quarterly billing period following the period when the fund balance falls below \$1.3 million.

9. Transfers to Other Funds

\$23,000 in TRA funds were swept by the New York State Division of the Budget and transferred to the State's general fund as a part of the State's endeavors to reduce the State deficit each year. On May 3, 2017, \$312,522 was transferred from the TRA to the SA as these were assessments that should have been posted to the SA instead of the TRA since the TRA balance was above the \$2 million threshold.

10. Refunds

For financial statement purposes, Department officials recognize student tuition reimbursement claims (refunds) as expenses in the fiscal year they are approved for payment.

11. Net Account Balance

As defined by Section 5007 (10) of Education Law, the net balance of the account is determined by the Department on June 30 and every three months thereafter. The balance in the account at the end of each quarterly period determines the amount of the next quarterly

assessments as defined by Section 5007 (10)(b, c & d) of Education Law.

12. Refund Receivable

During the 2006/07 fiscal year, TRA staff issued a refund check to a student that was \$195 greater than the amount due. As of the March 31, 2018, the Department wrote off the \$195 as they were unable to collect it.

13. Subsequent Event – ALCC Closure

On April 4, 2019, the American Language Communications Center (ALCC), an ESL school located in New York City, closed. Students enrolled at ALCC are entitled to a full refund of tuition, fees, and textbooks purchased. Refunds are issued from the TRA, but the Department will seek restitution from ALCC for refunds issued to ALCC students. For the Department to issue a refund, students are required to submit to the Department a complaint that will require proof of expenses paid. The Department is currently addressing complaints from ALCC students and estimates that approximately 575 complaints will need to be resolved. To date, the average refund amount paid to ALCC students is \$750. As a result, the Department is projecting that approximately \$450,000 in refunds will be issued to ALCC students. Refunds of approximately \$450,000 will result in the TRA balance remaining above the \$2 million threshold. Falling below this threshold would result in a greater portion of assessments being allocated to the TRA versus the SA.

Report on Internal Control, Compliance, and Other Matters

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the TRA, as of and for the five fiscal years ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the TRA's basic financial statements, and have issued our report thereon dated September 6, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the TRA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the TRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the TRA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the TRA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts,

and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the State Comptroller
Albany, NY
September 6, 2019*

Contributors to Report

Executive Team

Tina Kim - *Deputy Comptroller*

Ken Shulman - *Assistant Comptroller*

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Stephen Goss, CIA, CGFM - *Audit Director*

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