



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Audit of the Tuition Reimbursement Account for the Three Fiscal Years Ended March 31, 2013

State Education Department



Report 2014-S-17

June 2014

Executive Summary

Purpose

To express an opinion on the fair presentation of the Financial Statements of the Tuition Reimbursement Account for the three fiscal years ended March 31, 2013.

Background

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 completed. When such schools violate the Education Law (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 Special Revenue Fund (TRA), to protect the financial interests of these students. Chapter 887 of the Laws of 1990 also created the Proprietary Schools Vocational Supervision Account (Supervision Account) to support Bureau of Proprietary Schools (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 the three fiscal years ending March 31, 2013, 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.

Key Recommendations

- No recommendations

Other Related Audit/Report of Interest

[State Education Department: Audit of the Tuition Reimbursement Account for the Three Fiscal Years Ended March 31, 2010 \(2010-S-39\)](#)

Table of Contents

Independent Auditor's Report	3
Management's Discussion and Analysis	6
Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit A)	11
Balance Sheet (Exhibit B)	12
Notes to the Financial Statements	13
Comptroller's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	16
Contributors to This Report	18

State Government Accountability Contact Information:

Audit Director: John Buyce

Phone: (518) 474-3271

Email: StateGovernmentAccountability@osc.state.ny.us

Address:

Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

This report is also available on our website at: www.osc.state.ny.us

State of New York
Office of the State Comptroller

Division of State Government Accountability

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 three fiscal years ended March 31, 2013, 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 the three fiscal years ending March 31, 2013, 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 6 through 10 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 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 examinations of agency 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 June 25, 2014 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. That report is an integral part of an audit performed in accordance with government auditing standards. However, the purpose of that report is 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 internal control over financial reporting or on compliance.

*Office of the State Comptroller
Albany, NY
June 25, 2014*

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, 2011, March 31, 2012, and March 31, 2013. 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 (BPSS), also made corresponding necessary changes to its outreach, education, and supervision of such schools.

BPSS 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, 2013 was \$2,752,750, an increase of \$139,439, 5.34 percent, over the fund balance for fiscal year ended March 31, 2012 of \$2,613,311, and an increase of \$414,933, 17.75 percent, over the TRA's fund

balance for fiscal year ended March 31, 2011 of \$2,337,817.

Total revenues for the Tuition Reimbursement Account for fiscal year ended March 31, 2013 were \$173,153, compared to \$500,775 for fiscal year ended March 31, 2012. The \$327,622 difference is attributable to a significant decrease in fines and penalties of \$335,000 with tuition assessments and interest revenues increasing by \$6,410 and \$968, respectively, over the prior fiscal year ended March 31, 2012 for a net 65.42 percent decrease. Fiscal year ended March 31, 2012 fines and penalties included one fine for \$500,000, which comprised the bulk of the category.

Revenues for the TRA for fiscal year ended March 31, 2013 were also lower than that of fiscal year ended March 31, 2011 where total revenues were \$274,514, representing a 36.92 percent decrease for fiscal year 2013 over fiscal year 2011. Total expenditures for the Tuition Reimbursement Account for fiscal year ended March 31, 2013 were \$33,714, compared to \$225,281 for fiscal year ended March 31, 2012, and \$60,824 for fiscal year ended March 31, 2011.

The TRA's expenditures consist of refunds less any reimbursements, and for the fiscal year ended March 31, 2013, there was a significant decrease of \$191,567 in refunds made from the account in fiscal year ended March 31, 2013 compared to the prior fiscal year ended March 31, 2012, and a \$27,110 net decrease in expenditures for fiscal year ended March 31, 2013 over fiscal year ended March 31, 2011.

Tuition assessment rates for the licensed schools as defined in Education Law Sections 5001 and 5007 and 8 NYCRR Part 126 are based on the cash balance in the New York State Department of Education's Tuition Reimbursement Account. This cash balance has remained at a level for several years that the assessment rates have remained constant. The billing application of the December 15, 2012 changes in the statute and regulations began with the first regular tuition assessment billing of SFY 2013-14 - specifically, the June 2013 quarterly billing run, which covers the period June 1 - August 31, 2013. The new law changed the way that regular assessments for Licensed Private Career Schools (LPCS) and English as a Second Language (ESL) schools are billed. The New York State Education Department expects the cash balance in the Tuition Reimbursement Account under the new billing and deposit guidelines to remain at an adequate level to process all student refunds as defined in Education Law § 5007. Tuition reimbursement account.

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
for the Fiscal Years Ended March 31, 2011, March 31, 2012, and March 31, 2013Fiscal Year Ended March 31,

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2012 to 2011</u> <u>Percent</u> <u>Change</u>	<u>2013 to 2012</u> <u>Percent</u> <u>Change</u>
Revenues:					
Tuition Assessments	\$ 0	\$ 188	\$ 6,598	100.00%	3,409.57%
Fines and Penalties	292,544	520,000	185,000	77.75%	-64.42%
Interest	4,970	3,587	4,555	-27.83%	26.99%
Less: Transfer to Other Funds	(23,000)	(23,000)	(23,000)	0.00%	0.00%
Total Revenues	\$ 274,514	\$ 500,775	\$ 173,153	82.42%	-65.42%
Expenditures:					
Refunds	\$ 61,430	\$ 225,282	\$ 33,713	266.73%	-85.04%
Less: Reimbursements	(606)	0	0	-100.00%	0.00%
Total Expenditures	\$ 60,824	\$ 225,282	\$ 33,713	270.38%	-85.04%
Net Revenues	\$ 213,690	\$ 275,493	\$ 139,440	28.92%	-49.39%
Fund Balance-Beginning	2,124,127	2,337,817	2,613,310	10.06%	11.78%
Fund Balance-Ending	\$2,337,817	\$2,613,310	\$2,752,750	11.78%	5.34%

Financial Analysis

Table B

New York State Education Department
Tuition Reimbursement Account

Balance Sheet

As of March 31, 2011, March 31, 2012, and March 31, 2013

	As of				
	<u>3/31/2011</u>	<u>3/31/2012</u>	<u>3/31/2013</u>	<u>2012 to 2011 Percent Change</u>	<u>2013 to 2012 Percent Change</u>
Assets:					
Cash	\$2,264,331	\$2,636,421	\$2,708,783	16.43%	2.74%
Receivables					
Fines and Penalties	84,500	0	67,000	-100.00%	100.00%
Interest	360	277	355	-23.06%	28.16%
Refund Receivable	801	195	195	-75.65%	0.00%
Due from Supervision Account	<u>11,508</u>	<u>0</u>	<u>0</u>	<u>-100.00%</u>	<u>0.00%</u>
Total Receivables	<u>\$ 97,169</u>	<u>\$ 472</u>	<u>\$ 67,550</u>	<u>-99.51%</u>	<u>14,211.44%</u>
Total Assets	<u>\$2,361,500</u>	<u>\$2,636,893</u>	<u>\$2,776,333</u>	<u>11.66%</u>	<u>5.29%</u>
Long-term Liabilities					
Refunds Payable	\$ 0	\$ 0	\$ 0	0.00%	0.00%
Payable to Supervision Account	100	0	0	-100.00%	0.00%
Payable to Schools/Other	<u>23,583</u>	<u>23,583</u>	<u>23,583</u>	<u>0.00%</u>	<u>0.00%</u>
Total Liabilities	<u>\$ 23,683</u>	<u>\$ 23,583</u>	<u>\$ 23,583</u>	<u>-0.42%</u>	<u>0.00%</u>
Fund Balance:	<u>\$2,337,817</u>	<u>\$2,613,310</u>	<u>\$2,752,750</u>	<u>11.78%</u>	<u>5.34%</u>
Total Liabilities and Fund Balance:	<u>\$2,361,500</u>	<u>\$2,636,893</u>	<u>\$2,776,333</u>	<u>11.66%</u>	<u>5.29%</u>

Financial Analysis (continued)

The variances in revenues for the three fiscal years (increase in 2012 and subsequent decrease in 2013) are primarily due to fines and penalties as noted in the financial highlights. The variances in expenditures for the three fiscal years (increase in 2012 and subsequent decrease in 2013) are primarily due to refunds made to students during those fiscal years; in 2012, the same fiscal year in which fines and penalties were significantly higher, more refunds were paid to students eligible under Education Law 101, § 5007.

The increases in the cash balances and subsequent increases in the fund balances for the fiscal years presented reflect the activities of the revenues and expenditures of the TRA. Most fines and penalties issued have been paid; \$67,550 remains as a receivable to be collected as of fiscal year end March 31, 2013, which also includes interest and a refund receivable.

Long-Term Liabilities

Long-term liabilities of \$23,583 remained outstanding at fiscal year ended March 31, 2013, the same compared with \$23,583 previous year-end and \$100 less than liabilities of \$23,683 for fiscal year ended March 31, 2012. The \$23,583 at fiscal year ended March 31, 2013 represents accounts payable to schools, and subsequent to fiscal year ended March 31, 2013, \$23,583 was paid to the entities owed.

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

Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit A)

**New York State Education Department
Tuition Reimbursement Account
Statement of Revenues, Expenditures and
Changes in Fund Balance
for the Three Fiscal Years Ended
March 31, 2011, March 31, 2012, and March 31, 2013**

	<u>Fiscal Year Ended March 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues:			
Tuition Assessment (Note 7)	\$ 0	\$ 188	\$ 6,598
Fines and Penalties	292,544	520,000	185,000
Interest	4,970	3,587	4,555
Less: Transfer to Other Funds (Note 8)	<u>(23,000)</u>	<u>(23,000)</u>	<u>(23,000)</u>
Total Revenues	<u>\$ 274,514</u>	<u>\$ 500,775</u>	<u>\$ 173,153</u>
Expenditures:			
Refunds (Note 9)	\$ 61,430	\$ 225,282	\$ 33,713
Less: Reimbursements (Note 10)	<u>(606)</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 60,824</u>	<u>\$ 225,282</u>	<u>\$ 33,713</u>
Net Revenues	\$ 213,690	\$ 275,493	\$ 139,440
Fund Balance - Beginning	<u>2,124,127</u>	<u>2,337,817</u>	<u>2,613,310</u>
Fund Balance - Ending	<u>\$ 2,337,817</u>	<u>\$ 2,613,310</u>	<u>\$ 2,752,750</u>

* The accompanying notes are an integral part of the Statement(s).

Balance Sheet (Exhibit B)

**New York State Education Department
Tuition Reimbursement Account
Balance Sheet as of
March 31, 2011, March 31, 2012, and March 31, 2013**

	<u>Fiscal Year Ended March 31,</u>		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assets:			
Cash (Note 4)	\$ 2,264,331	\$ 2,636,421	\$2,708,783
Receivables (Note 5)			
Current:			
Fines and Penalties	\$84,500	\$0	\$67,000
Interest	360	277	355
Refund Receivable	801	195	195
Due from Supervision Account	<u>11,508</u>	<u>0</u>	<u>0</u>
Total Receivables	<u>\$ 97,169</u>	<u>\$ 472</u>	<u>\$ 67,550</u>
Total Assets	<u>\$ 2,361,500</u>	<u>\$ 2,636,893</u>	<u>\$2,776,333</u>
Liabilities:			
Refunds Payable	\$ 0	\$ 0	\$ 0
Payable to Supervision Account	100	0	0
Payable to Schools/Other	<u>23,583</u>	<u>23,583</u>	<u>23,583</u>
Total Liabilities	<u>\$23,683</u>	<u>\$23,583</u>	<u>\$23,583</u>
Fund Balance:	<u>\$ 2,337,817</u>	<u>\$ 2,613,310</u>	<u>\$2,752,750</u>
Total Liabilities and Fund Balance	<u>\$ 2,361,500</u>	<u>\$ 2,636,893</u>	<u>\$2,776,333</u>

* The accompanying notes are an integral part of the Statement(s).

Notes to the Financial Statements

1. Background

Students who are enrolled in post-secondary private schools licensed by the State Education Department (Department), and in business schools registered with the Department, that close before their education is completed are eligible for a tuition refund. Students who drop out of such schools that have violated the Education Law (Law) - and are still in operation - 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 (Supervision Account) to support Bureau of Proprietary Schools (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 Supervision Account are financed by assessments on qualifying schools for eight-tenths of 1 percent of their respective gross tuition revenues. The Law directs the Department to credit three-tenths of 1 percent to the TRA, and five-tenths of 1 percent to the Supervision Account. 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 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 and 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 1 percent of their gross tuition revenue, except for ESL schools which are to be assessed at a rate of two-tenths of 1 percent pursuant to the Commissioner's Regulations. The amount of the 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 \$1.8 million, the excess, as well as any subsequent assessments, is deposited into the Supervision Account. 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 the State Comptroller's LED 040 report or SFS NYGL0428) and is invested in the Short-Term Investment Pool (STIP) administered by the State Comptroller. All STIP funds were fully collateralized at each year-end. The payments that are received by Statement date and listed on LED 040 or SFS NYGL0428 report after Statement date are also included.

5. Receivables and Deferred Revenue

Receivables classified as current are those that are expected to be collected within 12 months of the Statement date. Receivables classified as long-term are those that are expected to be collected thereafter. Department officials also report long-term TRA receivables as deferred revenue in the liabilities section of the balance sheet - as opposed to an addition to the Fund Balance. Depending on the existing Fund Balance, this practice can affect future billings and the timing of transfers to the Supervision Account.

6. Payable

The Payable account was established to reflect any payables that may legally arise in the day-to-day activities of the TRA.

7. Tuition Assessments

The Tuition Assessment account category includes the regular and special assessments paid by all required schools as well as the initial assessment fees paid by newly licensed ESL schools. Deposits to the Tuition Assessment account follow the provisions of Section 5007 (10) of Education Law. If the Tuition Assessment account balance exceeds \$1.8 million during a quarter, the special assessments are suspended until the next quarterly billing period following the period when the fund balance falls below \$1.3 million.

8. Transfers to Other Funds

These 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.

9. Refunds

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

10. Reimbursements

TRA reimbursements result from monies submitted by schools to reimburse the account for payments made to students on the school's behalf.

11. Revenues in Excess of Billings

This is the result of one school that overpaid on its assessment. In future billing periods, this amount will be credited back to the school. In our opinion, this amount should be illustrated as a liability on the Balance Sheet as opposed to a "contra" asset. However, due to the insignificant dollar amount, the current classification does not affect the fair presentation of the Statements.

12. 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.

13. Refund Receivable

TRA staff issued a refund check to a student that was \$195 greater than the amount due. The student has been asked to remit the excess amount received.

Comptroller's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

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 Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the TRA, as of and for the three fiscal years ended March 31, 2013, and the related notes to the financial statements, which collectively comprise the TRA basic financial statements, and have issued our report dated thereon June 25, 2014.

Internal Controls 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 functions, 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, on 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
June 25, 2014*

Contributors to This Report

John F. Buyce, CPA, CFE, CIA, CGFM, Audit Director

Walter Irving, Audit Manager

Bob Mainello, CPA, Audit Supervisor

Vicki Wilkins, Examiner-in-Charge

Jason Dessureault, CPA, Staff Examiner

Christi Martin, Staff Examiner

Division of State Government Accountability

Andrew A. SanFilippo, Executive Deputy Comptroller
518-474-4593, asanfilippo@osc.state.ny.us

Tina Kim, Deputy Comptroller
518-473-3596, tkim@osc.state.ny.us

Brian Mason, Assistant Comptroller
518-473-0334, bmason@osc.state.ny.us

Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.