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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 11, 2020

Guillermo Linares, Ed.D.  
President  
Higher Education Services Corporation  
99 Washington Avenue  
Albany, NY 12255

Re: Oversight of the STEM Incentive  
Program  
Report 2019-F-56

Dear Dr. Linares:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Higher Education Services Corporation (HESC) to implement the recommendations contained in our audit report *Oversight of the STEM Incentive Program* (Report [2017-S-75](#)).

**Background, Scope, and Objective**

HESC administers more than 20 State scholarship and loan forgiveness programs including the Science, Technology, Engineering, and Mathematics (STEM) Incentive Program (Program). The Program provides a full-tuition scholarship to State high school graduates who pursue a STEM degree and agree to work in a STEM field in the State for five years after graduation. Recipients can attend any State University of New York or City University of New York two-year or four-year college or statutory colleges at Cornell University and Alfred University. Awards cover tuition equal to the lesser of the amount charged to State residents or actual tuition charged. Also, beginning in the 2018-19 academic year, recipients can also attend private degree-granting institutions of higher education in New York State.

Recipients must meet multiple eligibility requirements for the award, both before and after receiving it. Key eligibility requirements include:

- Graduating in the top 10 percent of their class from a State high school;
- Enrolling full time in a HESC-approved undergraduate STEM program;
- Maintaining an undergraduate cumulative grade point average (GPA) of 2.5 or

higher; and

- Working in a HESC-approved STEM field and maintaining residency in the State for five years after graduation.

Recipients who fail to meet Program requirements have their awards converted into ten-year student loans with interest.

We issued our initial audit report on November 28, 2018. The audit objective was to determine if HESC was effectively monitoring the Program to ensure recipients were in compliance with the Program rules and regulations, and whether HESC had only made payments on behalf of recipients who were in compliance with Program regulations. Our initial audit covered the period April 1, 2014 to July 23, 2018.

During the initial audit, we found that HESC had taken steps to implement the structure necessary to administer the Program. However, we identified issues that could affect many aspects of the Program. For example, HESC did not always ensure applicants met Program eligibility requirements and made \$81,198 in Program award payments on behalf of 20 recipients who did not meet Program requirements while in college. We also determined that HESC's policy to pro-rate loans for any recipients who did not fulfill work and residency requirements was contrary to its regulations. Further, HESC's data systems were somewhat antiquated and restrictive, limiting their usefulness for HESC officials to effectively monitor and track Program compliance and award repayments.

The objective of our follow-up was to assess the extent of implementation, as of February 6, 2020, of the four recommendations included in our initial audit report.

### **Summary Conclusions and Status of Audit Recommendations**

HESC officials have made progress in addressing the problems we identified in the initial audit. Of the initial report's four audit recommendations, two were implemented and two were partially implemented.

### **Follow-Up Observations**

#### **Recommendation 1**

*Take steps to strengthen oversight of Program recipient eligibility requirements and ensure receipt of required documentation, including:*

- *Establishing control procedures and practices to ensure recipients are eligible for payment; and*
- *Providing colleges with guidance and assistance on an as-needed basis.*

Status – Partially Implemented

Agency Action – HESC is in the process of implementing additional procedures and practices to ensure accuracy in its assessment of award eligibility. HESC independently calculates students' rankings based on information provided by high

schools to ensure recipients graduated in the top 10 percent of their classes and meet other eligibility requirements. HESC is also developing a process that will include monthly reviews of internally processed applications and biannual reviews after each term to determine the accuracy of high school certifications. HESC has also taken steps to provide training and guidance to financial aid professionals and is in the process of developing an online STEM certification video, which will include information about eligibility and certification requirements, as well as guidance about award amounts and duration.

**Recommendation 2**

*Review the \$81,198 in ineligible award payments and make recoveries, as appropriate.*

Status – Implemented

Agency Action – HESC officials reviewed the \$81,198 in questionable award payments we identified in the initial audit and determined \$46,449 was ineligible. They recovered the \$46,449 from the respective universities.

**Recommendation 3**

*Take steps to ensure that HESC policies and procedures comply with the regulations governing the Program.*

Status – Implemented

Agency Action – HESC updated its procedures to allow for pro-rating the amount of the loan commensurate with service completed only if the recipient demonstrates extreme hardship as a result of a total and permanent disability, labor market conditions, or other such circumstances, as approved by the President or President’s designee. The procedures comply with HESC’s regulations for scholarship recipients who fail to fulfill the five-year work and residency requirements.

**Recommendation 4**

*Take steps to strengthen the database systems used to administer the Program, including:*

- *Re-evaluating existing database systems and, where needed, taking steps to strengthen their abilities and controls; and*
- *Providing training to HESC staff regarding capabilities and functionality of different HESC database systems.*

Status – Partially Implemented

Agency Action – HESC has taken steps to strengthen the database systems used to administer the Program. HESC issued a Request for Information and is finalizing the requirements for a new system to process applications for all grant and scholarship programs. HESC officials told us they plan to issue the Request for

Proposal related to this system in the first quarter of 2020. In addition, HESC has filled several positions associated with this project and is actively recruiting to fill additional positions to assist in developing and designing the new system. The duties for the positions include identifying user roles and training users on the new system. HESC's goal is to have a state-of-the-art application system that is reliable and efficient, and that will provide all applicants with current information regarding application processing and resolve the communication problems identified during our audit.

Major contributors to this report were Bob Mainello, Cynthia Herubin, Claudia Christodoulou, Anthony Calabrese, and James Rappaport.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the management and staff of HESC for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Mark Ren  
Audit Director

cc: Ms. Christine Konsistorum, HESC