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COMPTROLLER**



Audit Objectives 2

Audit Results - Summary 2

Background 3

**Audit Findings and
Recommendations 3**

Use of HEOP Funds 3

Recommendations 6

Accuracy of Reported HEOP
Enrollments 6

Recommendation 8

Audit Scope and Methodology 8

Authority 9

Reporting Requirements 9

Contributors to the Report 9

Exhibit A 10

Appendix A - Auditee Response .. 12

**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**STATE EDUCATION
DEPARTMENT**

**HIGHER EDUCATION
OPPORTUNITY PROGRAM**

Report 2007-S-106

AUDIT OBJECTIVES

The primary objective of our audit was to determine whether Higher Education Opportunity Program (HEOP) funds were used for the prescribed purpose at a sample of schools we selected for audit. We also sought to determine whether these same schools accurately reported the number of students receiving HEOP services and aid.

AUDIT RESULTS - SUMMARY

HEOP provides tutoring, counseling, tuition-support and financial assistance to economically and academically disadvantaged students attending private colleges and universities in New York State. In the 2005-06 academic year, 5,376 students were enrolled in HEOP programs at 55 participating schools, and \$21.7 million in HEOP funding was paid to the schools. HEOP is administered by the State Education Department's Collegiate Development Programs Unit (SED).

To determine whether schools were using HEOP funds solely for their prescribed purposes, we reviewed a sample of HEOP expenditures at four schools that accounted for about a quarter of all program expenditures during the two years covered by our audit: New York University, Long Island University-Brooklyn campus, Syracuse University, and the College of St. Rose in Albany. We found all four schools appeared to be using HEOP funds solely for their prescribed purposes.

However, the HEOP expenditures reported to SED by Long Island University did not always agree with the amounts shown in the school's accounting records. We were unable to resolve the discrepancies because, contrary to HEOP requirements, the school had not retained its detailed HEOP expenditure records. We recommend SED visit selected schools to ensure that they are retaining these records and review the records to ensure that the expenditures are allowable.

Schools receive HEOP funding on the basis of their HEOP student enrollments. To determine whether schools were accurately reporting the number of students receiving HEOP services and aid, we compared the enrollment rosters submitted to SED by the four schools to enrollment records at the schools. We found that the enrollments were accurately reported. We also selected a random sample of 142 HEOP students at the four schools and verified that the students did, in fact, meet all HEOP eligibility requirements. We concluded there was minimal risk the four schools were inaccurately reporting HEOP enrollments to SED.

SED is required by law to publish an annual report summarizing HEOP activities at the participating schools. However, we found SED was two years behind in its completion of these annual reports. We recommend SED publish the annual reports in a timely manner.

In total, our audit report contains four recommendations to help strengthen SED's administration of the HEOP. SED officials agreed with our recommendations and indicated steps they will be taking to implement them.

This report, dated August 14, 2008, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

In 1969, the State established HEOP for disadvantaged students attending private colleges and universities in New York State. HEOP is intended to provide a broad range of services to students who, because of academic and economic circumstances, would otherwise be unable to attend college.

The State Education Department's Collegiate Development Programs Unit (SED) oversees the activities of HEOP and has established guidelines for participating schools. The guidelines contain student eligibility requirements, specify how HEOP funds may be used, and include reporting and recordkeeping requirements for the schools. To be eligible to receive HEOP services and financial assistance, a student must be a resident of New York State and meet certain economic and academic requirements. The economic requirements (allowable family income) are established by SED and are the same for every school. The academic requirements are established by each participating school and vary from school to school. According to SED guidelines, the basic test of educational disadvantage is non-admissibility by the school's normal admissions standards at the matriculated status in a degree program.

The schools are authorized to use HEOP funds for the recruitment of prospective HEOP students and for such students' tuition

and summer academic programs. The schools may also use the funds to provide and administer support services, such as counseling and tutoring, for HEOP students. Eligible students may receive HEOP financial assistance (maintenance) to use for housing, transportation costs, health insurance, and educational supplies.

The schools are required by the guidelines to establish accounting systems that segregate HEOP funds from other institutional accounts. The schools are also required to maintain their HEOP account and expenditure records for a period of nine years, and to report certain HEOP enrollment and expenditure data to SED twice a year.

In both the 2005-06 and 2006-07 academic years, a total of 60 HEOP programs were administered at 55 participating schools. As is shown in Exhibit A, in the 2005-06 year, 5,376 students were reportedly enrolled in these programs and \$21,657,850 in HEOP funding was reportedly paid to the schools. At the time of our audit, enrollment and payment information had not been finalized for the 2006-07 academic year, but total payments of \$21,429,014 had been processed.

AUDIT FINDINGS AND RECOMMENDATIONS

Use of HEOP Funds

To determine whether the schools were using HEOP funds solely for their prescribed purposes, we selected a judgmental sample of four participating schools and reviewed the HEOP expenditures reported by the schools for the 2005-06 and 2006-07 academic years. Our sample consisted of New York University (NYU), the Brooklyn campus of Long Island University (LIU-Brooklyn), Syracuse University, and the College of St. Rose in Albany.

Together, these four schools accounted for 1,306 (24 percent) of the 5,376 students reportedly enrolled in HEOP programs, and \$5,690,987 (26 percent) of the \$21,657,850 in

HEOP funding reportedly paid out, in the 2005-06 academic year. The individual school amounts are shown in Table 1.

School	HEOP Enrollment 2005-06	HEOP Expenditures 2005-06	HEOP Expenditures 2006-07
NYU	588	\$ 2,777,716	\$ 2,394,301*
LIU-Brooklyn	448	\$ 1,917,537	\$ 1,855,536
Syracuse University	220	\$ 780,187	\$ 847,979
College of St. Rose	50	\$ 215,547	\$ 219,962
Total	1,306	\$ 5,690,987	\$ 5,317,778
*Expenditure claims were not finalized at the time of our audit.			

We selected NYU, LIU-Brooklyn, and Syracuse University for our sample because they had the largest, second-largest and fourth-largest HEOP programs, respectively. We selected the College of St. Rose for geographical diversity and to provide an example of a smaller HEOP program.

The schools are required to submit progress reports to SED twice a year, once in the fall and again at the end of the academic year. These reports contain HEOP enrollment and expenditure data, and SED pays HEOP funds to the schools on the basis of these reports. We reviewed the year-end progress reports submitted by the four schools for the 2005-06 and 2006-07 academic years. We then selected a sample of non-personal service expenditures and a sample of personal service expenditures at each school, and visited each school to review documentation supporting the sampled expenditures. We concluded that all four schools were using HEOP funds for their prescribed purposes, as our sampled expenditures were supported by the available documentation and were allowable under SED's HEOP guidelines.

However, at LIU-Brooklyn, the total expenditures reported by the school at year end did not always agree with the total amounts shown in the school's accounting records for certain types of expenditures. We were unable to resolve the discrepancies because, contrary to SED's HEOP guidelines, the school had not retained its detailed HEOP expenditure records. We recommended SED visit selected participating schools to ensure that they were retaining these records and review the records to ensure that the expenditures were allowable under the HEOP guidelines.

Allowable Expenditures

At each school, we selected a sample of non-personal service expenditures from the budget categories where the highest amounts were reported. The selected categories varied at each school and included equipment, travel, contractual services, student maintenance, and tuition. At the four schools aggregately, we reviewed \$634,850 (of a total of \$939,263) in non-personal service expenditures reported. Each school provided us with supporting documentation such as purchase orders,

vouchers, and receipts for all the transactions in our samples. Based on our review of this documentation, we were able to confirm that the expenditures were allowable under SED's HEOP guidelines.

The guidelines also permit schools to use HEOP funding for personal services (such as student assistants, clerical positions, administrative positions, counselors, tutors, and instructors). All personnel supported by HEOP funds must be indicated in the progress reports. To verify that the HEOP-funded personnel at the four schools were either providing services directly to HEOP students or indirectly supporting such services, we selected a sample of the personnel included in the progress reports of each school. We then reviewed letters of employment, counseling records, tutoring logs, timesheets, and other documentation supporting their work.

The four schools reported a total of 461 HEOP-funded personnel for the two academic years. We judgmentally selected 265 of these personnel for review and found that all 265 appeared to be either providing services directly to HEOP students or indirectly supporting such services. For example, for staff listed as tutors or counselors, we were provided with appropriate tutoring or counseling records.

Accuracy of Reported Expenditures

To determine whether the four schools were accurately reporting their HEOP expenditures to SED, we requested the account ledgers that contained a detailed list of transactions for selected HEOP budget categories from each school. We then compared the totals in the accounting ledgers with the amounts that were reported to SED on the year-end reports. We found that, at three of the schools (NYU, Syracuse University, and the College of St. Rose), the amounts in the accounting ledgers agreed with the amounts reported to SED.

However, at LIU-Brooklyn, the amounts did not always agree. For example, LIU-Brooklyn reported \$120,282 for contractual services for the fall 2005-spring 2006 school year when only \$68,569 was recorded for contractual services in its accounting ledgers (a difference of \$51,713). LIU-Brooklyn reported only \$95,164 for these services for the 2006-07 school year when \$228,774 was recorded in its accounting ledgers (a difference of \$133,610). In some cases, the amounts reported to SED were greater than the amounts in the accounting ledgers, and in other cases they were less. The total amount reported by LIU-Brooklyn for student maintenance did not agree with the amount in the accounting ledgers in any of the semesters, as summarized in the following Table 2.

Semester	Reported to SED	In School Ledgers	Difference
Summer 2005	\$ 91,000	\$ 90,709	\$ (291)
Fall 2005 - Spring 2006	\$ 708,966	\$ 801,039	\$ 92,073
Summer 2006	\$ 91,000	\$ 91,099	\$ 99
Fall 2006 - Spring 2007	\$ 716,465	\$ 732,691	\$ 16,226

LIU-Brooklyn officials explained that the differences developed when they converted to a new accounting system in 2005. The accounting codes in the new system that were associated with the non-personal service budget categories on the reports submitted to SED differed from the codes in the prior system. For example, there were no account codes for contractual services. Consequently, when school officials needed to record an HEOP expenditure, they selected an account code from the accounting system that seemed to correspond to the reporting budget category. School officials further noted that, on the new accounting system, they are unable to view the details of each transaction included in a reporting category and they did not keep back-up records to identify these transactions. As a result, there was no way to reconcile the reported expenditure data to the data in the accounting ledgers.

School officials are required by the HEOP guidelines to retain all HEOP fiscal records for a period of nine years. Accordingly, they should have retained the detailed backup transaction records. While our review of selected expenditure records at the school disclosed no exceptions, we did not review all the HEOP expenditures claimed by the school.

SED performs on-site reviews of HEOP records at participating schools to review eligibility information and evaluate whether the programs are fulfilling their stated objectives. However, in these on-site reviews, SED does not examine the schools' accounting records to ensure that they comply with HEOP guidelines and does not verify the accuracy of the schools' reported HEOP expenditures. We recommend SED perform these steps at selected schools (e.g., at schools where there is an identified risk of non-compliance or inaccurate reporting).

Recommendations

1. Follow up with LIU-Brooklyn to verify that the school is complying with HEOP recordkeeping guidelines by maintaining the detailed fiscal records supporting its HEOP expenditures for a period of at least nine years.
2. Remind LIU-Brooklyn of the need to comply with HEOP recordkeeping guidelines.
3. Use a risk-based approach, during the site visits to selected schools, to examine the schools' accounting records, ensuring that they comply with HEOP guidelines and verifying the accuracy of the schools' reported HEOP expenditures.

Accuracy of Reported HEOP Enrollments

We found that the schools we visited accurately reported the numbers of students enrolled in HEOP. We also determined there is minimal risk that ineligible students at these schools are enrolled in the programs.

Enrollments

Schools receive HEOP funding on the basis of the number of full-time equivalent (FTE) students enrolled in their HEOP programs (such students must be registered and in attendance to qualify). A school's total FTE student count is determined by combining the numbers of full- and part-time students as well as the number of hours attempted by the part-time students. SED makes this determination from the enrollment information included in the schools' progress reports (i.e., student rosters listing the full- and part-time students by semester). According to SED, a total of 4,912 FTE

students were enrolled in the 60 HEOP programs in the 2005-06 academic year. SED's preliminary count for the 2006-07 academic year was 5,092 FTE students; however, SED had not completed its review of the schools' final reports for that year. (According to SED, several of the reports were submitted late.)

To verify the accuracy of the reported HEOP enrollments at the four schools in our sample, we reviewed the student enrollment rosters sent to SED by the schools and compared these rosters with enrollment data we requested separately from the schools. We were able to verify that the student rosters provided to us by the schools matched the enrollment numbers they sent to SED in the 2005-06 and 2006-07 final reports.

To determine whether the students reported as enrolled were actually in attendance at the schools during those semesters, as required by HEOP guidelines, we selected a random sample of HEOP students at each school and verified their attendance at the school. Our samples consisted of 50 of the 719 students reported by NYU for the two academic years, 50 of the 928 students reported by LIU-Brooklyn, 15 of the 429 students reported by Syracuse University, and 27 of the 65 students reported by the College of St. Rose. Thus, in total, we verified the attendance of 142 students.

To verify these students' attendance, we reviewed their college transcripts. In addition, we also reviewed counseling, tutoring, and financial aid reports to determine whether the students actually received HEOP benefits and services. It should be noted that students are not required by HEOP guidelines to utilize HEOP services once they are enrolled.

We found that all 142 students were reported accurately as being in attendance during our audit period. We also verified that all but one of the 142 students actually received HEOP services and/or financial aid. This student did not utilize any HEOP services, such as counseling or tutoring, and he was not economically eligible for HEOP maintenance support. On the basis of our review, we conclude there is a minimal risk the four schools are reporting HEOP enrollments inaccurately to SED.

Eligibility of Enrolled Students

To determine whether the HEOP students reported by the four schools were in fact eligible for HEOP, we verified the eligibility status of the 142 sampled students. Specifically, we verified that they were residents of New York State, met SED's economic criteria for eligibility, and met their school's academic criteria for eligibility.

To do this, we reviewed economic and academic supporting documentation as well as proof of residency for each student in our sample. The academic documentation reviewed included the academic requirements from each school for admission to HEOP, SAT scores, high school grade point averages, and transcripts, as well as other supporting documentation. In order to evaluate income eligibility, we reviewed family income reported on the Free Application for Federal Student Aid form or the prior year's tax returns and compared this to SED's economic criteria.

Based on the results of our review, we concluded that all 142 students met all applicable requirements for eligibility and participation in HEOP.

SED Annual Reporting Requirement

Pursuant to Section 6451 of the State Education Law, SED is required to prepare an annual report summarizing the HEOP program information provided by the participating schools. This annual report is to include information about enrollments, expenditures, and HEOP activities at the institutions. The annual report is intended to demonstrate the effectiveness of the schools' programs, as well as provide data on their costs and future plans. The report is to be published by December 1st of each year for the most recently completed academic year.

We found that SED has not been timely in its preparation of this annual report, as it was two years behind in its completion of the annual reports. At the time of our audit fieldwork, SED had completed and issued the annual report for the 2004-05 academic year. However, SED had yet to complete and issue the reports for the 2005-06 and 2006-07 years, although the 2005-06 report should have been issued by December 1, 2006 and the 2006-07 report should have been issued by December 1, 2007. As a result, State policymakers and the public are not being provided with up-to-date information about HEOP.

Recommendation

4. Publish the HEOP annual report on time.

AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. The primary objective of our audit was to determine whether Higher Education Opportunity Program (HEOP) funds were used for the prescribed purpose at a sample of schools we

selected for audit. We also sought to determine whether these same schools accurately reported the number of students receiving HEOP services and aid. Our audit covered the funding and reports filed with SED for the HEOP program for the period July 1, 2005 through June 30, 2007.

To accomplish our objectives, we interviewed officials at SED and several participating schools. We also reviewed relevant laws, regulations, and guidelines. We judgmentally selected and visited the HEOP programs at four participating schools: New York University, the Brooklyn campus of Long Island University, Syracuse University, and the College of St. Rose in Albany.

For each of the four schools, we reviewed the reports submitted by the schools to SED about their HEOP programs. We also selected a judgmental sample of 142 of the 2,141 HEOP students reportedly enrolled at the four schools, and reviewed school records to verify the students' attendance at the schools and their eligibility for HEOP. In addition, we selected a judgmental sample of HEOP expenditures reported by the schools and reviewed documentation supporting the expenditures. We also reviewed accounting ledgers that supported the total HEOP expenditures from selected budget categories. In addition, we reviewed each school's accounting system and records to verify that they were segregating HEOP funding and maintaining HEOP fiscal records as required.

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.

AUTHORITY

The audit was performed 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.

REPORTING REQUIREMENTS

We provided draft copies of this report to SED officials for their review and formal comments. We considered SED's comments in preparing this report and have included them as Appendix A. SED officials agreed

with our reports recommendations and indicated the steps they will be taking to implement them.

Within 90 days of the final release of this report, as required by Section 170 of the executive Law, the Commissioner of the State Education Department shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Brian Mason, Karen Bogucki, Claudia Christodoulou, Nisha Thomas, Dave Pleeter, Robert Horn, and Dana Newhouse.

Exhibit A**HEOP Enrollments and Expenditures
For the 2005-06 Academic Year**

School	Enrollment	Expenditures
Alfred University	72	\$ 349,662
Bard College	40	\$ 179,194
Barnard College	96	\$ 415,779
Boricua College	63	\$ 152,187
Canisius College of Buffalo	94	\$ 328,429
Cazenovia College	36	\$ 206,494
Clarkson University	56	\$ 295,845
Colgate University	26	\$ 107,337
College of Saint Rose	50	\$ 215,547
Columbia University	103	\$ 413,873
Cornell University	79	\$ 290,666
Daemen College	65	\$ 255,220
Dowling College	109	\$ 430,670
D'Youville College	70	\$ 337,535
Five Towns College	58	\$ 253,139
Fordham University: Lincoln Center Campus	114	\$ 484,135
Fordham University: Rose Hill Campus	267	\$ 945,243
Hamilton College	57	\$ 224,881
Hobart-Smith College	69	\$ 277,207
Hofstra University	99	\$ 406,149
Ithaca College	56	\$ 228,832
Lemoyne College	76	\$ 309,819
Long Island University: Brooklyn	448	\$ 1,917,537
Long Island University: C.W. Post	117	\$ 345,255
Manhattan College	72	\$ 278,088
Manhattanville College	33	\$ 135,420
Marist College	59	\$ 247,421
Marymount Manhattan College	45	\$ 174,744
Mercy College	137	\$ 392,783
Molloy College	63	\$ 257,660
Mount Saint Mary College	44	\$ 156,847
Nazareth College	47	\$ 184,047
New School University/Parsons School	79	\$ 255,059
New York Institute of Technology: Metro Campus	78	\$ 321,948
New York Institute of Technology: Old Westbury Campus	85	\$ 363,480
New York University	588	\$ 2,777,716
Niagara University	69	\$ 241,261

**HEOP Enrollments and Expenditures
For the 2005-06 Academic Year**

Nyack College	50	\$ 175,576
Paul Smith's College	39	\$ 168,666
Polytechnic University	101	\$ 387,857
Pratt Institute	59	\$ 215,569
Rensselaer Polytechnic Institute	57	\$ 250,208
Rochester Institute of Technology	100	\$ 375,192
Russell Sage College	43	\$ 183,278
Sage College of Albany	23	\$ 90,962
St. Bonaventure University	65	\$ 304,448
St. John Fisher College	68	\$ 277,346
St. John's University	113	\$ 435,699
St. Lawrence University	60	\$ 254,317
St. Thomas Aquinas College	65	\$ 278,911
Siena College	51	\$ 225,900
Skidmore College	89	\$ 365,092
Syracuse University	220	\$ 780,187
Syracuse University Continuing Education	91	\$ 196,262
Trocaire College	37	\$ 181,380
Union College	63	\$ 221,502
University of Rochester	95	\$ 399,124
Utica College	68	\$ 262,812
Vaughn College of Aeronautics	72	\$ 333,207
Villa Maria College of Buffalo	28	\$ 137,246
Total	5,376	\$ 21,657,850

APPENDIX A - AUDITEE RESPONSE



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

DEPUTY COMMISSIONER FOR OPERATIONS
AND MANAGEMENT SERVICES
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July 18, 2008

Mr. Brian E. Mason
Audit Manager
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Dear Mr. Mason:

The following is the New York State Education Department's (SED) response to the draft audit report (2007-S-106) of the State Education Department's Arthur O. Eve Higher Education Opportunity Program (HEOP).

I am pleased the audit found that the four postsecondary institutions selected as the basis for the audit were all using HEOP funds for their prescribed purposes, that HEOP-funded personnel were providing services to HEOP students, and that eligible students are being enrolled in HEOP.

The audit recommendations primarily call for a risk-based approach to on-site monitoring of 55 campuses that have HEOP. Given decreases in HEOP staff over time at the State level, on site-monitoring during recent years has primarily been conducted on a risk-based approach. SED will continue to refine this approach with respect to the audit recommendations.

Recommendation 1:

Follow up with LIU-Brooklyn to verify that the school is complying with HEOP recordkeeping guidelines by maintaining the detailed fiscal records supporting its HEOP expenditures for a period of at least nine years.

We agree with this recommendation.

Recommendation 2:

Remind LIU-Brooklyn of the need to comply with HEOP recordkeeping guidelines.

We agree with this recommendation.

Recommendation 3:

Use a risk-based approach, during the site visits to selected schools, to examine the schools' accounting records, ensuring that they comply with HEOP guidelines and verifying the accuracy of the schools' reported HEOP expenditures.

We agree with this recommendation. SED HEOP professional staff will employ a risk-based approach to select postsecondary institutions that warrant on-site visits. During these visits, SED HEOP staff will monitor institutional compliance with HEOP guidelines. Any fiscal issues that arise during on-site visits will be referred to the SED Office of Audit Services for appropriate review.

Recommendation 4:

Publish the HEOP annual report on time.

We agree with this recommendation. The annual reports will be completed and published on time.

If you have any questions regarding this response, please contact Stanley S. Hansen, Jr., Executive Coordinator of K-16 Initiatives and Access programs, at (518) 474-3719.

Sincerely,



Theresa E. Savo

c: Stanley S. Hansen, Jr.