

THOMAS P. DiNAPOLI  
STATE COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**

December 3, 2009

Dr. David Steiner  
Commissioner  
NYS Education Department  
State Education Building - Room 111  
89 Washington Avenue  
Albany, New York 12234

Re: Report 2009-F-27

Dear Dr. Steiner:

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 State Education Department to implement the recommendations contained in our audit report, *Higher Education Opportunity Program* (Report 2007-S-106).

**Background, Scope and Objective**

In 1969, the State established the Higher Education Opportunity Program (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. SED is required by law to publish an annual report summarizing HEOP activities at the participating schools.

The objective of our initial audit report, which was issued on August 14, 2008, was to determine whether 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. In our initial audit we found all four schools we reviewed (New York University, Long Island University-Brooklyn campus, Syracuse University, and the College of St. Rose in Albany) 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 concluded there was minimal risk the four schools were inaccurately reporting HEOP enrollments to SED. We also found SED was two years behind in its completion of its annual reports. The objective of our follow-up was to assess the extent of implementation as of November 10, 2009 of the four recommendations included in our initial report.

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

We found that SED officials have made little progress in correcting some of the problems we identified; therefore, additional improvements are needed. Of the four prior audit recommendations, one recommendation has been implemented and three recommendations have not been implemented.

### **Follow-up Observations**

#### **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.*

Status - Not Implemented

Agency Action - SED officials stated that, due to limited staffing and other priorities, they have not visited LIU-Brooklyn since our original audit to verify that the school is complying with recordkeeping guidelines. Such site visits are the primary method the officials use to perform recordkeeping verification. SED officials stated that they plan to visit LIU-Brooklyn in the future.

#### **Recommendation 2**

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

Status - Implemented

Agency Action - SED officials advised that they reminded LIU-Brooklyn officials of the need to comply with HEOP recordkeeping guidelines. The LIU-Brooklyn officials further stated that they are printing out and saving all account information from the new LIU People Soft System as well as the information from their old mainframe system. The officials stated that they plan to retain all copies of the print outs for nine years, as required.

**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.*

Status - Not Implemented

Agency Action - SED officials advised that, due to staffing limitations, they have not conducted any site visits since our initial audit. However, officials expect to perform some visits in the next few months. SED officials noted that they plan to consult with the Department's internal audit group to develop a risk-based approach to select schools for site visits.

**Recommendation 4**

*Publish the HEOP annual report on time.*

Status - Not Implemented

Agency Action - SED officials advised that they have not published the HEOP annual reports for the 2005-2006, 2006-2007 and 2007-2008 years. Each report should have been issued by December 31<sup>st</sup> of the second year covered by the report. Officials indicated that they expect to publish these reports in the next few months.

Major contributors to this report were Karen Bogucki and Donald Collins.

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 also thank the management and staff of SED for the courtesies and cooperation extended to our auditor during this review.

Very truly yours,

Edward J. Durocher, CIA  
Audit Manager

cc: James Conway, State Education Department  
Tom Lukacs, Division of the Budget