



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

Division of State Government Accountability

Maintenance and Tuition Payments to The Lake Grove School and Mountain Lake Children's Residence

**Office of Children
and Family Services
State Education Department**



Report 2009-S-90

April 2013

Executive Summary

Purpose

To determine whether costs reported by the Lake Grove School (Lake Grove) and Mountain Lake Children's Residence (Mountain Lake) to the State Education Department and the Office of Children and Family Services were adequately supported and allowable under the respective governing guidelines of these State agencies. The audit covers the four fiscal years ended June 30, 2009.

Background

Lake Grove, located in Lake Grove, NY, and Mountain Lake, located in Lake Placid, NY, provide special housing and educational services to eligible disabled children. Each facility is required to submit annual income and expenditure reports to their funding sources, the State Education Department (SED) and the Office of Children and Family Services (OCFS). SED and OCFS use the financial information submitted by Lake Grove and Mountain Lake to establish daily reimbursement rates for services provided to their respective residents. During the four fiscal years ended June 30, 2009, Lake Grove and Mountain Lake reported \$45.0 million and \$18.3 million, respectively, in reimbursable expenses.

Key Findings

- We identified as much as \$7.7 million in inappropriate and/or unsupported costs claimed for reimbursement by these facilities. Such costs included payments to the CEO and other Board members.
- In addition, we identified \$356,061 in revenues received by these facilities for the three years ended June 30, 2008, that should have offset reported expenditures.
- Neither SED nor OCFS has adequately monitored the claimed expenses submitted by Lake Grove and Mountain Lake.

Key Recommendations

- SED and OCFS should follow up on the inappropriate and unsupported expenses identified in our report and, as appropriate, revise the reimbursement rates for Lake Grove and Mountain Lake and seek restitution for any overpayments.
- Lake Grove and Mountain Lake should ensure that their reporting of reimbursable expenses complies with SED and OCFS requirements.
- SED and OCFS need to enhance their monitoring efforts of expenses submitted by Lake Grove and Mountain Lake.

Other Related Audits/Reports of Interest

[State Education Department: Setting Special Education Itinerant Teacher Services Rates \(2008-S-146\)](#)

[Henry Viscardi School: Compliance with the Reimbursable Cost Manual \(2009-S-70\)](#)

State of New York
Office of the State Comptroller
Division of State Government Accountability

April 26, 2013

Ms. Gladys Carrion, Esq.
Commissioner
Office of Children and Family Services
52 Washington Street
Rensselaer, NY 12144

Dr. John B. King, Jr.
Commissioner
State Education Department
89 Washington Avenue – Room 125
Albany, NY 12234

Mr. Gerard Cairns
Executive Director
The Lake Grove School
Moriches Road
P.O. Box 712
Lake Grove, NY 11755

Ms. Carol Prevost
Executive Director
Mountain Lake Children's Residence
386 River Road
Lake Placid, NY 12946

Dear Ms. Carrion, Dr. King, Mr. Cairns and Ms. Prevost:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our dual-Agency audit of the Office of Children and Family Services' and the State Education Department's *Maintenance and Tuition Payments to The Lake Grove School and Mountain Lake Children's Residence*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

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State Government Accountability Contact Information:

Audit Director: Frank Patone

Phone: (212) 417-5200

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

Background

The Lake Grove School, located in Lake Grove, NY (Lake Grove), and the Mountain Lake Children's Residence, located in Lake Placid, NY (Mountain Lake), provide special housing and educational services to eligible disabled children. Each facility is required to submit annual income and expenditure reports to the State Education Department (SED) and Office of Children and Family Services (OCFS). SED requires providers to report their income and expenses on Consolidated Fiscal Reports (CFRs), while OCFS requires providers to report their income and expenses on Statewide Standards of Payment reports (SSOP). Lake Grove and Mountain Lake are managed by Windwood Meadow, Inc. (Windwood), a management company located in Medford, NY. Windwood charges each facility a management fee for its services, which include accounting, legal and technical support. Some of Windwood's Board members also serve on the Boards of Lake Grove and Mountain Lake as well, and for all intents and purposes, Windwood manages all administrative and fiscal operations for these facilities.

SED and OCFS officials review the income and expenses reported on the CFRs and SSOP's and use that data for their respective rate-setting systems. Once calculated, the rates are subject to the review and approval of the New York State Division of the Budget. Both SED and OCFS have issued manuals to provide guidance on reimbursable costs. During the four fiscal years ended June 30, 2009, Lake Grove and Mountain Lake reported \$45.0 million and \$18.3 million, respectively, in reimbursable expenses.

According to the SED Manual, reimbursable costs are those that are reasonable, necessary, related directly to the education program, and properly documented. The OCFS Manual contains similar wording regarding the propriety and documentation needed for reimbursable costs - but is not as specific as the SED Manual.

Audit Findings and Recommendations

We identified as much as \$7.7 million in inappropriate and/or unsupported costs that Lake Grove and Mountain Lake officials requested reimbursement for during the four fiscal years ended June 30, 2009. In addition, we identified \$356,061 in third party revenues for the three years ended June 30, 2008, which should have offset claimed expenditures during those periods. Consequently, the reimbursement rates calculated by OCFS and SED for these fiscal years were formulated using overstated expenses resulting in inflated rates and over-reimbursements. We conclude that the respective Boards of Lake Grove and Mountain Lake, and SED and OCFS officials did not provide sufficient program oversight to either prevent these identified deficiencies from occurring, or detect them once they had occurred.

Inappropriate and Undocumented Expenses

Management Fees

During the four years ended June 30, 2009, Windwood allocated its management fees among several of its affiliates, including Lake Grove and Mountain Lake. The SSOPs and CFRs we reviewed pertain only to Lake Grove and Mountain Lake. The total management fees allocated to our subject facilities for this period are listed in the table below.

Management Fees Charged to Lake Grove and Mountain Lake

Applicable Facility	Fiscal 2005-06	Fiscal 2006-07	Fiscal 2007-08	Fiscal 2008-09	Total
Lake Grove	\$892,692	\$892,690	\$1,028,688	\$1,028,688	\$3,842,758
Mountain Lake	358,476	358,470	423,001	423,000	1,562,947
Total	\$1,251,168	\$1,251,160	\$1,451,689	\$1,451,688	\$5,405,705

While management fees in certain circumstances may be reimbursable, when we asked Windwood officials to explain the basis upon which they allocated management fees to Lake Grove and Mountain Lake, they could not provide us with the specifics. Thus, we cannot attest to the propriety of the entire \$5.4 million in management fees allocated to Lake Grove and Mountain Lake. In addition, from our own detailed review of selected Windwood management expenditures, we conclude that many of the costs embedded within these fees do not qualify for SED or OCFS reimbursement as follows:

- Windwood's former Chief Executive Officer (CEO), who was also its General Counsel, was paid \$450,521 in Fiscal Year 2006-07, \$480,619 in Fiscal Year 2007-08 and \$480,619 in Fiscal Year 2008-09. This salary significantly exceeds executive compensation for not-for-profits of comparable size. More importantly, program reimbursement guidelines for both SED and OCFS require salary costs submitted for reimbursement to be supported by time and attendance records for the funded program. However, the CEO did not maintain

supporting time and attendance records or any other documents to show how his actual time was allocated between all affiliated facilities.

- The CEO also received a \$14,000 vehicle allowance for the three years ended June 30, 2009, as well as, \$30,000 for charitable donations for the two years ended June 30, 2009. According to SED reimbursement guidelines, expenses such as a vehicle allowance or charitable donations are not reimbursable. Regarding OCFS guidelines, required documentation is not maintained to show the CEO's vehicle or the charitable contributions were for program-related usage.
- Windwood management fees also included \$55,395 in interest it paid on a \$250,000 loan it obtained for the CEO over the three years ended June 30, 2009. The CEO was supposed to repay the loan at a rate of \$50,000 per year but Windwood excused the annual repayment amount for each of the two years ended June 30, 2008 and 2009 resulting in both the loan interest and annual payments being charged to its affiliates as part of the management fees. The Not-For-Profit Corporations Law, Section 716, prohibits loans made by a facility to its officers or directors.
- Windwood paid \$307,334 to Board members for salaries and honorariums for the three years ended June 30, 2009, which are not reimbursable per the SED and OCFS Manuals and further were not supported.
- Windwood paid a total of \$207,464 to two different board members who served as educational consultants, one for the year ended June 30, 2007 and one for the two years ended June 30, 2009. Windwood also paid \$71,499 to another board member as a public relations consultant for the two years ended June 30, 2009. There was no evidence of any work product received from these consultants.
- The remaining \$998,875 in inappropriate and unsupported Windwood management fees included board member salaries; consultant fees to non-board members; non program-related travel; lobbying expenses and food and incidentals for staff.

Operating Expenses

The following table illustrates the inappropriate and undocumented general operating expenses we identified for the three year period ended June 30, 2008.

Inappropriate and Undocumented General Operating Expenses

Facility	Fiscal 2005-06	Fiscal 2006-07	Fiscal 2007-08	Total
Lake Grove	\$1,022,282	\$497,266	\$432,810	\$1,952,358
Mountain Lake	268,236	62,830	N/A *	331,066
Total	\$1,290,518	\$560,096	\$432,810	\$2,283,424

* N/A: We did not look at Mountain Lake's operating expenses for this period.

The inappropriate and unsupported operating expenses include:

- Lake Grove operates a non-Program related driver education program for individuals within the local community. Yet, it requested reimbursement from SED and OCFS for program costs totaling \$771,118 for the three Fiscal Years ended June 30, 2008.
- Lake Grove requested reimbursement for pension payments to its retired founder, and upon his death, to his wife, totaling \$135,000 for the three years ended June 30, 2008. According to SED and OCFS program reimbursement guidelines, this pension is not eligible for reimbursement because it is specifically tailored to one individual and not available to any other provider employees.
- Lake Grove also requested reimbursement for consultant fees paid to a registered lobbyist amounting to \$144,000, for the three years ended June 30, 2008. SED and OCFS program reimbursement guidelines do not permit reimbursement of lobbyist expenses.
- The remaining \$1,233,306 in inappropriate and undocumented expenses include payments claimed by Windwood's predecessor management company which would not provide us with any support for its claimed expenses; payments for non program related professional services (legal and accounting); and reimbursements requested for staff parties, gift cards, and donations.

Offsetting Revenues

We found Lake Grove and Mountain Lake did not reduce their expenses claimed for reimbursement by a total of \$356,061 in certain third party revenues collected for the three years ended June 30, 2008 as listed in the table below.

Third Party Revenues Received

Facility	Fiscal 2005-06	Fiscal 2006-07	Fiscal 2007-08	Total
Lake Grove	\$65,265	\$54,608	\$48,987	\$168,860
Mountain Lake	80,777	50,029	56,395	187,201
Total	\$146,042	\$104,637	\$105,382	\$356,061

Lake Grove and Mountain Lake have received annual E-Rate Grants since 2003. E-Rate Grants are provided by the Universal Service Administrative Company to cover 90 percent of a facility's telephone and internet bills. For the three years ended June 30, 2008, Lake Grove and Mountain Lake did not report these revenues which totaled \$128,605 and \$187,201, respectively.

In addition, the Suffolk County Department of Labor reimburses all costs incurred by the "Work Study Program" at Lake Grove. During the noted three year period these reimbursements totaled \$40,255.

Board Governance

Board members are responsible for managing and making decisions critical to the direction of an organization. In fulfilling those responsibilities, Board members:

- Should ensure management has established adequate internal controls and policies to safeguard and protect their organizations funds and assets;
- Have a fiduciary duty to act in the best interests of their organization and should not seek to benefit personally from any business derived from their organization, without full disclosure to the board; and,
- Must avoid conflicts of interest or even the appearance of such.

As evidenced by the report findings outlined above, neither Board (Lake Grove or Mountain Lake) implemented internal controls to either prevent or detect the identified deficiencies. As such, they were not protecting their respective organization's funds and assets as they are now subject to recovery by the funding agencies.

Further, by virtue of their positions, several Board members were awarded contracts from their respective organizations and were paid without support for their services provided or evidence of their Program relation. As such, we conclude that they unjustly personally benefitted from their associations with their organizations.

SED and OCFS Oversight

SED and OCFS are responsible for performing annual reviews of all CFRs and SSOPs submitted by their respective funded agencies. The reviews are performed to determine whether their respective reimbursement guidelines are being followed. As a result of these reviews, and any revisions to the claimed expenses, SED and OCFS calculate their reimbursement rates.

SED and OCFS officials both told us that their annual reviews typically consist of desk reviews of the financial information submitted on the CFRs and SSOPs. Both agencies apply a "capping" process that limits facility costs to predetermined limits. However, neither agency conducts site visits or regularly requires the facilities to submit documentation to support the claimed expenditures. As such, they are not in a position to identify the inappropriate and/or unsupported expenses we found during our audit.

When discussing this issue with SED officials, they responded that each facility is required to have an independent CPA firm certify their financials which gives them some assurance that the reported expenditures are accurate. However, the shortcoming in this reliance is that while the CPAs attest to the "reasonableness" of the reported expenses, they do not specifically look at the supporting documentation for all reported expenses.

We also recommend that OCFS and SED conduct periodic site visits to facilities to validate financial data on a sample basis. In cases where site visits cannot be conducted, OCFS and SED

should establish compensating measures including, on a test basis, requiring facilities to submit supporting documentation. In addition, OCFS and SED should coordinate their reviews of facilities in a manner that will maximize their limited resources, such as sharing site visit responsibilities and the results of their expenditure analysis.

Lastly, we note that the OCFS expense reimbursement guidelines are not as specific as SED's. For example, some expenses such as gifts and charitable contributions are specifically prohibited by SED but not mentioned by OCFS. We believe the lack of specificity in the OCFS manual has resulted in the facilities' liberal interpretation of allowable expenses even though those expenses may not meet the broader requirements of all claimed expenses being supported and program appropriate.

Recommendations

To SED and OCFS:

1. Follow up on the inappropriate and unsupported expenses identified in our report and, as appropriate, revise the reimbursement rates for Lake Grove School and Mountain Lake and seek restitution for any overpayments.
2. Complement desk reviews with periodic site visits to Lake Grove and Mountain Lake to determine the extent to which there are other inappropriate and undocumented management fees and operating costs.
3. Require Mountain Lake and Lake Grove to maintain adequate supporting documentation for all future requests for reimbursement.
4. Revise OCFS program reimbursement guidelines to ensure they carefully define those items that are and are not reimbursable.
5. Work cooperatively to improve validation procedures and to maximize the use of limited staff resources.

To Lake Grove and Mountain Lake:

6. Provide training to Board Directors on fiduciary responsibility and conflicts of interest.
7. Ensure that reporting of reimbursable expenses complies with SED and OCFS guidelines and requirements.

Audit Scope and Methodology

We audited the costs reported by Lake Grove and Mountain Lake on their SSOPs and CFRs for the year ended June 30, 2008 and for selected expenses during the three fiscal years ended June

30, 2006, 2007 and 2009. Our audit determined whether costs reported by the Lake Grove and Mountain Lake to the State Education Department and the Office of Children and Family Services were adequately supported and allowable under their respective governing guidelines.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures, and interviewed relevant OCFS, SED, Windwood and facility officials. We also reviewed the accounting records, SSOPs, CFRs and audited financial statements submitted for our audit period. For the year ended June 30, 2008, we selected a judgmental sample of approximately \$1.7 million in Windwood expenditures out of a total of \$3.3 million in expenditures. For the same period, we selected a judgmental sample of about \$2.2 million in non-payroll expenditures out of a total of \$12.4 million in Lake Grove operating expenditures. We accessed the Universal Service Administrative Company website to determine the amount of E-Rate grants received by Lake Grove and Mountain Lake. Based on patterns of inappropriate transactions identified in our original June 30, 2008 samples, we selected additional judgmental samples of transactions, including offsetting revenues at Lake Grove and Mountain Lake. The samples for both facilities included Fiscal Years ended June 30, 2006 and 2007. For management fees, these samples included Fiscal Years ended June 30, 2006, 2007 and 2009. Transactions tested for Mountain Lake were limited to a judgmental sample of offsetting revenues and selected expenses based on unallowable costs identified at Lake Grove.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our audits to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

A draft copy of this report was provided to SED, OCFS, Lake Grove and Mountain Lake officials for their review and comment. Their comments were considered when preparing this final report and are attached in their entirety at the end of the report.

In general, SED, OCFS, Lake Grove and Mountain Lake officials agree with our findings and observations. Lake Grove officials noted that they have a new management team in place and, like SED and Mountain Lake, agree to implement our recommendations as appropriate. OCFS officials responded that their oversight capabilities are limited somewhat by either the lack of authority or absence of requirements in their reimbursement guidelines.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioners of SED and OCFS 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 why.

We also request that Lake Grove and Mountain Lake officials advise the Comptroller of actions taken to implement the recommendations addressed to them, and where such recommendations were not implemented, the reasons why.

Contributors to This Report

Frank Patone, Audit Director
Donald Geary, Audit Manager
Brian Lotz, Audit Supervisor
Todd Seeberger, Audit Supervisor
Theresa Nellis-Matson, Examiner-in-Charge
Vicki Wilkins, Examiner-in-Charge
Jennifer Bachinsky, Staff Examiner
Eric Bell, Staff Examiner
Melissa Davie, Staff Examiner
Andrew Davis, Staff Examiner
Rachelle Goodine, Staff Examiner
Dmitri Vassiliev, Staff Examiner

Division of State Government Accountability

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

Elliot Pagliaccio, Deputy Comptroller
518-473-3596, epagliaccio@osc.state.ny.us

Jerry Barber, Assistant Comptroller
518-473-0334, jbarber@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.

Agency Comments - Office of Children and Family Services



February 4, 2013

New York State
Office of
Children &
Family
Services

Mr. Donald Geary
Office of the State Comptroller
110 State Street
Albany, NY 12236-0001

Dear Mr. Geary:

www.ocfs.state.ny.us

Andrew M. Cuomo
Governor
Gladys Carrión, Esq.
Commissioner

Capital View Office Park
52 Washington Street
Rensselaer, NY
12144-2834

This is in reply to the Office of the State Comptroller (OSC)'s Draft Report regarding audit results for the Windwood Meadow parent organization and its subsidiaries, the Lake Grove School and Mountain Lake Academy regarding fiscal reporting years 2005-06 through 2008-09, inclusive and corresponding rate years 2007-08 through 2010-11. The draft report includes five recommendations that address the Office of Children and Family Services (OCFS). Following is the OCFS response to each.

1. Follow up on the inappropriate and unsupported expenses identified in our report and, as appropriate, revise the reimbursement rates for Lake Grove School and Mountain Lake and seek restitution for any overpayments.
 - a. Regarding Inappropriate and Undocumented Expenses, OCFS requires that all compensation to the Executive Director and other agency staff with salaries in excess of \$100,000 be reported annually through the Statewide Standards of Payment submission process. OCFS notes that the Chief Executive Officer (CEO) expense under examination (the CEO of Windwood Meadow) is not a direct cost of either Lake Grove or Mountain Lake and is not required to be reported on the submissions of either Lake Grove or Mountain Lake. Windwood Meadow does not itself operate any residential program under the jurisdiction of OCFS and therefore is not required to submit any information to OCFS. Further, there is no prohibition listed in the Standards of Payment for Foster Care of Children Program Manual (SOP Manual) regarding executive compensation in cost-based Maximum State Aid Rates (MSARs). In the absence of such a prohibition, OCFS has no legal authority to deny the executive compensation costs OSC considers excessive. OCFS notes that significant disallowances of administrative expenses occurred in all of the rate years at issue

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Comment
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* See State Comptroller's Comment, on page 35.

due to reimbursement claims well in excess of administrative parameters (cost screens). These costs are borne by the agency and are excluded from the rate base for calculating MSARs.

- b. Under the OCFS regulations being promulgated pursuant to Executive Order #38, there will be limits imposed on both administrative costs and executive compensation for agencies in receipt of State funds and State-authorized funds. Since the funds for Lake Grove and Mountain Lake are State-authorized funds, both the administrative costs and executive compensation for both corporations will be subject to these limitations. While this new requirement will not obviate the need for fiscal monitoring of both corporations, it will alert OCFS to issues of potential excessive administrative costs or executive compensation and enable OCFS to impose appropriate limits on such costs, thus vastly reducing any potential for abuse in the use of State-authorized funds.
- c. Regarding Inappropriate/Unsupported Operating expenses, OCFS notes that both Lake Grove and Mountain Lake realized a total of \$1.16M in Administrative Parameter Disallowances over the three-year reporting period (see chart below). This amount does not distinguish appropriate or inappropriate costs. Any costs above these amounts will be disallowed and rates adjusted to reflect these disallowances.

Report Year	Rate Year	Agency	Program	Trended Admin. Exp.	Admin. Parameter Limit	Disallowed
2005-06	2007-08	Lake Grove	Reg INST (B3)	1,492,248	1,176,399	(315,849)
2005-06	2007-08	Mt Lake	HTP INST (B6)	130,520	127,518	(3,002)
2005-06	2007-08	Lake Grove	ABH (A)	44,308	69,833	-
2005-06	2007-08	Mt Lake	Reg INST (B)	420,213	436,457	-
2006-07	2008-09	Lake Grove	Reg INST (B3)	1,490,362	1,235,024	(255,338)
2006-07	2008-09	Mt Lake	HTP INST (B6)	117,912	134,425	-
2006-07	2008-09	Lake Grove	ABH (A)	57,308	60,534	-
2006-07	2008-09	Mt Lake	Reg INST (B)	515,157	434,604	(80,553)
2007-08	2009-10	Lake Grove	Reg INST (B3)	1,623,784	1,234,650	(389,134)
2007-08	2009-10	Mtn Lake	HTP INST (B6)	124,181	126,129	-
2007-08	2009-10	Lake Grove	ABH (A)	26,542	61,966	-
2007-08	2009-10	Mt Lake	Reg INST (B)	549,756	431,254	(118,502)
TOTAL:						(1,162,378)

- d. Regarding Operating Expenses, Driver's Education costs for the separate program provided to community residents, but charged to New York State, appear to have been charged solely to the Education program rather than the Residential program. Accordingly, these costs would be an issue for the State Education Department (SED), not OCFS.
2. Complement desk reviews with periodic site visits to Lake Grove and Mountain Lake to determine the extent to which there are other inappropriate and undocumented management fees and operating costs.
 - a. OCFS is considering strategies to address this recommendation. These strategies may include using current or additional Audit and Quality Control (AQC) staff deployed in Regional or Home Offices, subject to Division of Budget approval and the OCFS AQC Audit Plan.
 - b. That being said, we believe it important to note that OCFS has no legal obligation or authority to monitor the internal financial affairs of corporations that operate residential facilities for children. Therefore, OCFS cannot establish standards for what would constitute "inappropriate" management fees and operating costs. The rate setting methodology establishes the costs and expenses that can be used to determine the reimbursement rate and establishes parameters for those costs and expenses, which enables the State to set appropriate reimbursement rates. But OCFS has no legal authority to police the internal financial controls of the corporations operating facilities licensed by OCFS.
 3. Require Mountain Lake and Lake Grove to maintain adequate supporting documentation for all future requests for reimbursement.
 - a. In the context of Recommendation #5, below, OCFS is considering heightening certified public accountant (CPA) attestation requirements, similar to the supplementary form SED requires for the Consolidated Fiscal Report submission (Schedule CFR-ii; Independent Accountant's Report; Voluntary Agency or County Government). If applied to all fiscal submissions, this would require increased testing on the part of independent auditors of foster

care fiscal reporting to prepare and submit financial data for the Statewide Standards of Payment (SSOP) submission.

- b. OCFS has the authority to request supplemental data for any item on the SSOP submission. Under the review process, some items of high impact could be randomly tested over agencies (Property, Administrative Expense). The ability to perform this type of testing is contingent upon changes discussed in Recommendation #2.
4. Revise OCFS program reimbursement guidelines to ensure they carefully define those items that are and are not reimbursable.
 - a. The OCFS rate methodology and regulatory system is subject to review under the auspices of statewide rate reform. This initiative is being led by the Division of Budget (DOB). All proposals are on hold pending requests from the DOB work group for information. OCFS is internally reviewing the SSOP program manual comparing with both the State Education Department Reimbursable Cost Manual and the Office of Mental Health's Consolidated Budget Reporting (CBR) and Claiming Manual for treatment of expenses, revenues and certifications.
 5. Work cooperatively to improve validation procedures and to maximize the use of limited staff.
 - a. Currently the OCFS State Aid Rates Unit and the SED Rate Setting Unit collaborate on property projects with shared space between residential and educational programs. There are programs that have direct affiliations between schools and residential programs where a common CPA report is filed and more could be done to review the allocation methods for expenses and offsetting revenues. However, some schools and residential programs have separate administration and only tangential affiliation. For those programs, the only transactions that would be reviewable collaboratively would be interagency transactions.

OCFS appreciates the opportunity to respond to this draft audit reply.
If you have any questions please contact OCFS Audit Liaison, Ralph
Timber, at (518) 473-0796.

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Sincerely,



Mikki Ward-Harper
Acting Deputy Commissioner
for Administration

Agency Comments - State Education Department



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

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
O: 518.473-4706
F: 518.474-5392

February 1, 2013

Mr. Frank Patone
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236

Dear Mr. Patone:

The following is the New York State Education Department's (Department) response to the draft audit report (2009-S-90) Maintenance and Tuition Payments to Lake Grove School and Mountain Lake Children's Residence, Office of Children and Family Services, State Education Department: Audit Report for years 2005-09.

As part of its general supervision activities, and its review of the Office of the State Comptroller audits of private special education providers, the Board of Regents initiated a comprehensive examination of the special education programs, services, and costs associated with the providers at its September 6, 2012 meeting, and directed Department staff to further explore and recommend specific measures to enhance existing provider oversight and accountability. Following a review and analysis of the current fiscal oversight and accountability provisions applicable to special education private providers, and to other providers in comparable sectors, a number of reform proposals were presented and adopted by the Board of Regents on November 5, 2012. Several of the Board of Regents reform proposals directly relate to the findings and recommendations outlined in the draft audit report and have the shared goal of strengthening the fiscal oversight and accountability measures of private special education providers in order to ensure that resources are being utilized effectively and appropriately.

In addition to the actions that will be taken in response to specific recommendations described below, the Department will closely examine the circumstances that led to the findings described in the audit report. The examination will include an assessment of the programmatic oversight and fiscal management employed by Lake Grove's management company and management staff, and will be a factor in the consideration of any corrective action measures that may be required.

Recommendation 1: Follow up on the inappropriate and unsupported expenses identified in our report and, as appropriate, revise the reimbursement rates for Lake Grove School and Mountain Lake and seek restitution for any overpayments.

We agree with this recommendation. The Department will review and make adjustments to the Consolidated Fiscal Reports (CFR) for inappropriate and/or unsupported expenses included in The Lake Grove School and Mountain Lake Children's Residence CFR as noted in the report and recover any overpayments as appropriate by recalculating tuition rates. The Department will review any additional documentation that is provided by the Office of the State Comptroller (OSC) for a detail breakout by year, program, and funding agency of the specific inappropriate and/or unsupported expenses. The Department will also review and consider additional information The Lake Grove School and Mountain Lake officials may submit in response to this report.

Recommendation 2: Complement desk reviews with periodic site visits to Lake Grove and Mountain Lake to determine the extent to which there are other inappropriate and undocumented management fees and operating costs.

We agree with this recommendation in part. We agree that oversight provisions with respect to onsite review should be enhanced in order to strengthen the Department's existing fiscal and program monitoring of special education providers. Due to the reliance placed on the current external audit requirements of the private special education providers, the Board of Regents reform proposals would strengthen this accountability measure by requiring special education providers to select a CPA from a Department approved list for the purposes of certifying its CFR or financial statements. CPA firms that do not strictly adhere to the Department's review standards will be disqualified from being authorized to certify a private special education provider's financial reports. The Board of Regents reform proposals also seek to increase the onsite fiscal audits of the private special education providers by continuing to support the current OSC audit initiative and by supporting additional resources for further audits, including both random audits and audits targeted to providers with specific risk-factors associated with fraud.

Recommendation 3: Require Mountain Lake and Lake Grove to maintain adequate supporting documentation for all future requests for reimbursement.

We agree with this recommendation. This is a requirement and expectation of all providers receiving public funding and is explicitly discussed in the Reimbursable Cost Manual and CFR Manual's agreed upon audit procedures. The Rate Setting unit will review expenses and revenues and request necessary documentation upon desk review in order to support reimbursement.

Recommendation 4: Revise OCFS program reimbursement guidelines to ensure they carefully define those items that are and are not reimbursable.

Not applicable for the Department.

Recommendation 5: Work cooperatively to improve validation procedures and to maximize the use of limited staff resources.

We agree with this recommendation.

If you have any questions regarding this response, please contact Ann Marsh, Director of the Rate-Setting Unit at (518) 473-2020.

Sincerely,



Sharon Cates-Williams

c: Commissioner King
James Delorenzo
James Conway
Ann Marsh
Mary Kogelmann
Joseph Conroy

Agency Comments - The Lake Grove School



January 18, 2013

Mr. Frank Patone, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Dear Mr. Patone;

Your office conducted a financial audit of the Lake Grove School for the fiscal years 2005 through 2009.

Attached for your review you will find our response to the audit report. This response was written with limited knowledge, as there is a new leadership team at the Lake Grove School.

Please commend your staff for the courteous and professional manner in which they conducted themselves throughout this audit process.

We look forward to working with you and your office and our licensing agencies to greatly improve and correct any of the financial irregularities that have been cited in this report. In addition, we will work diligently to implement your recommendations.

Sincerely,

Gerard Cairns

Gerard Cairns
Executive Director/Superintendent

Attachment

The Lake Grove School

Response to Financial Audit

2005 – 2009 Fiscal Years

New York State Office of the State Comptroller

Thomas P. DiNapoli

Division of State Government Accountability

Audit Findings and Recommendations

We identified as much as \$7.7 million in inappropriate and/or unsupported costs that Lake Grove and Mountain Lake officials requested reimbursement for during the four fiscal years ended June 30, 2009. In addition, we identified \$356,061 in third party revenues for the three years ended June 30, 2008, which should have offset claimed expenditures during those periods. Consequently, the reimbursement rates calculated by OCFS and SED for these fiscal years were formulated using overstated expenses resulting in inflated rates and over-reimbursements. We conclude that the respective Boards of Lake Grove and Mountain Lake, and SED and OCFS officials did not provide sufficient program oversight to either prevent these identified deficiencies from occurring, or detect them once they had occurred.

Lake Grove School Response

A new management team is in place for the Lake Grove School. The new Executive Director of the Lake Grove School was assigned in November of 2011. In addition a new board of directors has been seated and most of the members are new to the organization.

We are puzzled as to why the previous management team did not provide supporting documentation. Some of this supporting documentation is being collected and will be available at your request for review.

Inappropriate and Undocumented Expenses

Management Fees

During the four years ended June 30, 2009, Windwood allocated its management fees among several of its affiliates, including Lake Grove and Mountain Lake. The SSOPs and CFRs we reviewed pertain only to Lake Grove and Mountain Lake. The total management fees allocated to our subject facilities for this period are listed in the table below.

Management Fees Charged to Lake Grove and Mountain Lake

Applicable Facility	Fiscal 2005-06	Fiscal 2006-07	Fiscal 2007-08	Fiscal 2008-09	Total
Lake Grove	\$892,692	\$892,690	\$1,028,688	\$1,028,688	\$3,842,758
Mountain Lake	358,476	358,470	423,001	423,000	1,562,947
Total	\$1,251,168	\$1,251,160	\$1,451,689	\$1,451,688	\$5,405,705

While management fees in certain circumstances may be reimbursable, when we asked Windwood officials to explain the basis upon which they allocated management fees to Lake Grove and Mountain Lake, they could not provide us with the specifics. Thus, we cannot attest to the propriety of the entire \$5.4 million in management fees allocated to Lake Grove and Mountain Lake. In addition, from our own detailed review of selected Windwood management expenditures, we conclude that many of the costs embedded within these fees do not qualify for SED or OCFS reimbursement as follows:

Lake Grove School Response

The new management teams have initiated a new budget process that begins with the licensed capacity in accordance with state reimbursement parameters. This procedure has included budget spending reductions. There is some confusion as to why the entire \$5.4 million in management fees were disallowed or deemed inappropriate. Resources were expended and services were provided by Windwood Meadow for the management of the schools. As indicated in the Draft Report, Windwood Meadow is the management company responsible for all business/back office functions and corporate governance of Lake Grove School. These functions include bookkeeping, accounts payable, accounts receivable billing, employee benefit management, insurance monitoring and maintenance, legal and record retention. The expenses associated with these functions include, but are not limited to payroll, fringe benefits, office and computer supplies, equipment, utilities and rent. While this report disallowed 100% of the management fees, some of these expenses are appropriate and fully reimbursable according to the SOP Manual.

- Windwood's Chief Executive Officer (CEO), who is also its General Counsel, was paid \$450,521 in Fiscal Year 2006-07, \$480,619 in Fiscal Year 2007-08 and \$480,619 in Fiscal Year 2008-09. This salary significantly exceeds executive compensation for not-for-profits of comparable size. More importantly, program reimbursement guidelines for both SED and OCFS require salary costs submitted for reimbursement to be supported by time and attendance records for the funded program. However, the CEO did not maintain supporting time and attendance records or any other documents to show how his actual time was allocated between all affiliated facilities.

Lake Grove School Response

The Chief Executive Officer of Windwood Meadow cited in this report is no longer on staff. The current Chief Executive Officer earns a salary 80% less than his predecessor. There is only one employee at Lake Grove School whose salary and benefits exceed \$100,000. This individual has worked at the School for over thirty years and receives compensation including salary and benefits of approximately \$120,000.

- The CEO also received a \$14,000 vehicle allowance for the three years ended June 30, 2009, as well as, \$30,000 for charitable donations for the two years ended June 30, 2009. According to SED reimbursement guidelines, expenses such as a vehicle allowance or charitable donations are not reimbursable. Regarding OCFS guidelines, required documentation is not maintained to show the CEO's vehicle or the charitable contributions were for program-related usage.

Lake Grove School Response

Currently no employee on the staff of the Lake Grove School has a vehicle allowance or an allowance for charitable donations. This is no longer permitted or allowed by the current board or administration.

- Windwood management fees also included \$55,395 in interest it paid on a \$250,000 loan it obtained for the CEO over the three years ended June 30, 2009. The CEO was supposed to repay the loan at a rate of \$50,000 per year but Windwood excused the annual repayment amount for each of the two years ended June 30, 2008 and 2009 resulting in both the loan interest and annual payments being charged to its affiliates as part of the management fees. The Not-For-Profit Corporations Law, Section 716, prohibits loans made by a facility to its officers or directors.

Lake Grove School Response

Loans of any kind to any personnel are not permitted.

- Windwood paid \$307,334 to Board members for salaries and honorariums for the two years ended June 30, 2009, which are not reimbursable per the SED and OCFS Manuals and further were not supported.
- Windwood paid a total of \$207,464 to two different board members who served as educational consultants, one for year ended June 30, 2007 and one for two years ended June 30, 2009. Windwood also paid \$71,499 to another board member as a public relations consultant for the two years ended June 30, 2009. There was no evidence of any work product received from these consultants.
- The remaining \$998,875 in inappropriate and unsupported Windwood management fees included board member salaries; consultant fees to non-board members; non program related travel; lobbying expenses and food and incidentals for staff.

Lake Grove School Response

Currently all board members for the Lake Grove School serve voluntarily and without compensation.

The board no longer permits the hiring of any consultants who serve as an officer, director or employee of the not-for-profit. The two educational consultants were appointed by the board with the support of legal advice. Contracts were written and we are currently collecting evidence of work product for your review. This documentation will include time sheets, invoices and evidence of work product Including:

- (1) Development of a plan for a day program proposal
- (2) School safety audits and emergency management plans for each campus

(3) Workshops and professional development seminars for OCFS and area school Districts as well as Lake Grove and Mountain Lake staff

(4) Development, scheduling and implementation of retreats and board training

(5) Curriculum development with Talents Unlimited and Learning Styles

(6) Supervision and monitoring of quality assurance standards

We do not have the details of the identified \$998,875 in inappropriate and unsupported management fees. If it is possible, we would like the opportunity to identify these items and provide some supporting documentation for your review.

Operating Expenses

The following table illustrates the inappropriate and undocumented general operating expenses we identified for the three year period ended June 30, 2008.

Inappropriate and Undocumented General Operating Expenses

Facility	Fiscal 2005-06	Fiscal 2006-07	Fiscal 2007-08	Total
Lake Grove	\$1,022,282	\$497,266	\$432,810	\$1,952,357
Mountain Lake	268,236	62,830	N/A *	331,066
Total	\$1,290,518	\$560,096	\$432,810	\$2,283,424

* N/A: We did not look at Mountain Lake's operating expenses for this period.

The inappropriate and unsupported operating expenses include:

- Lake Grove operates a non-Program related driver education program for individuals within the local community. Yet, it requested reimbursement from SED and OCFS for program costs totaling \$771,118 for the three Fiscal Years ended June 30, 2008.
- Lake Grove requested reimbursement for pension payments to its retired founder, and upon his death, to his wife, totaling \$135,000 for the three years ended June 30, 2008. According to SED and OCFS program reimbursement guidelines, this pension is not eligible for reimbursement because it is specifically tailored to one individual and not available to any other provider employees.
- Lake Grove also requested reimbursement for consultant fees paid to a registered lobbyist amounting to \$144,000, for the three years ended June 30, 2008. SED and OCFS program reimbursement guidelines do not permit reimbursement of lobbyist expenses.
- The remaining \$1,233,306 in inappropriate and undocumented expenses include payments claimed by Windwood's predecessor management company which would not provide us with any support for its claimed expenses; payments for non program related professional services (legal and accounting); and reimbursements requested for staff parties, gift cards, and donations.

Lake Grove School Response

Cost Reports now report revenue and expenses associated with the driver education program as a separate non-reimbursable program.

The Lake Grove School has retained an accounting consultant who is providing guidance, supervision and training for business office staff in appropriate reporting of revenue and expenses to our licensing agencies.

Currently no person is receiving any pension from the Lake Grove School. The new management team had requested a legal opinion on the appropriateness of this pension. As advised by legal counsel the payments were stopped in December of 2011.

There is no lobbyist associated with the Lake Grove School. This would not be an acceptable practice under the new board and leadership team. This practice ceased in July of 2011.

All income received by the Lake Grove School is reported to all of the required agencies.

The predecessor management company performed some of the same functions as Windwood Meadow. We are also perplexed as to why they would not provide documentation to the auditors. Management believes that based on the nature of the expenses associated with the operation of the business office, some of these undocumented expenditures would be considered appropriate and reimbursable.

Offsetting Revenues

We found Lake Grove and Mountain Lake did not reduce their expenses claimed for reimbursement by a total of \$356,061 in certain third party revenues collected for the three years ended June 30, 2008 as listed in the table below.

Third Party Revenues Received

Facility	Fiscal 2005-06	Fiscal 2006-07	Fiscal 2007-08	Total
Lake Grove	\$65,265	\$54,608	\$48,987	\$168,860
Mountain Lake	80,777	50,029	56,395	187,201
Total	\$146,042	\$104,637	\$105,382	\$356,061

Lake Grove and Mountain Lake have received annual E-Rate Grants since 2003. E-Rate Grants are provided by the Universal Service Administrative Company to cover 90 percent of a facility's telephone and internet bills. For the three years ended June 30, 2008, Lake Grove and Mountain Lake did not report these revenues which totaled \$128,605 and \$187,201, respectively.

In addition, the Suffolk County Department of Labor reimburses all costs incurred by the "Work Study Program" at Lake Grove. During the noted three year period these reimbursements totaled \$40,255.

Lake Grove School Response

All income received by the Lake Grove School is appropriately reported to all of the required agencies.

Board Governance

Board members are responsible for managing and making decisions critical to the direction of an organization. In fulfilling those responsibilities, Board members:

- Should ensure management has established adequate internal controls and policies to safeguard and protect their organizations funds and assets;
- Have a fiduciary duty to act in the best interests of their organization and should not seek to benefit personally from any business derived from their organization, without full disclosure to the board; and,
- Must avoid conflicts of interest or even the appearance of such.

As evidenced by the report findings outlined above, neither Board (Lake Grove or Mountain Lake) implemented internal controls to either prevent or detect the identified deficiencies. As such, they were not protecting their respective organization's funds and assets as they are now subject to recovery by the funding agencies.

Further, by virtue of their positions, several Board members were awarded contracts from their respective organizations and were paid without support for their services provided or evidence of their Program relation. As such, we conclude that they unjustly personally benefited from their associations with their organizations.

Lake Grove School Response

The board and leadership team of the Lake Grove School is looking forward to remediating the issues addressed in this report and participating in the recommended staff development.

The Board of Directors has retained legal counsel to investigate the dissolution of the current corporate structure of the organization which includes Windwood Meadow, a parent or sole corporate member.

The Lake Grove School is seeking legal counsel investigate the feasibility of a "claw back" for any misappropriated funds.

The Lake Grove School's independent accounting firm has conducted annual audits and the financial reports were certified by them as required by The State Education Department and the Office of Children and Family Services. The audit committee of the Lake Grove School's Board of Directors is now actively seeking a new auditing firm. Given the level of oversight by the school's CPA firm we can only assume the previous management maintained confidence in the appropriateness of all required financial reporting.

SED and OCFS Oversight

SED and OCFS are responsible for performing annual reviews of all CFRs and SSOPs submitted by their respective funded agencies. The reviews are performed to determine whether their respective reimbursement guidelines are being followed. As a result of these reviews, and any revisions to the claimed expenses, SED and OCFS calculate their respective reimbursement rates.

ED and OCFS officials both told us that their annual reviews typically consist of desk reviews of the financial information submitted on the CFRs and SSOPs. Both agencies apply a “capping” process that limits facility costs to predetermined limits. However, neither agency conducts site visits or regularly requires the facilities to submit documentation to support the claimed expenditures. As such, they are not in a position to identify the inappropriate and/or unsupported expenses we found during our audit.

When discussing this issue with SED officials, they responded that each facility is required to have an independent CPA firm certify their financials which gives them some assurance that the reported expenditures are accurate. However, the shortcoming in this reliance is that while the CPAs attest to the “reasonableness” of the reported expenses, they do not specifically look at the supporting documentation for all reported expenses.

We also recommend that OCFS and SED conduct periodic site visits to facilities to validate financial data on a sample basis. In cases where site visits cannot be conducted, OCFS and SED should establish compensating measures including, on a test basis, requiring facilities to submit supporting documentation. In addition, OCFS and SED should coordinate their reviews of facilities in a manner that will maximize their limited resources, such as sharing site visit responsibilities and the results of their expenditure analysis.

Lastly, we note that the OCFS expense reimbursement guidelines are not as specific as SED’s. For example, some expenses such as gifts and charitable contributions are specifically prohibited by SED but not mentioned by OCFS. We believe the lack of specificity in the OCFS manual has resulted in the facilities’ liberal interpretation of allowable expenses even though those expenses may not meet the broader requirements of all claimed expenses being supported and program appropriate.

Lake Grove School Response

The New York State Education Department and the Office of Children and Family Services have provided an enormous amount of programmatic and technical support in the form of site visitations, staff development, program audits, monitoring and consultations.

The new management team would like to recognize that the funding sources, OCFS and SED do have strict parameters for reimbursing agency spending. In addition, both agencies did in fact disallow many of the identified misappropriations. Also, the rate setting units of OCFS and SED have been supportive and helpful in untangling and improving upon this challenging financial morass.

Agency Comments - Mountain Lake



January 18, 2013

Mr. Frank Patone, Audit Director
New York State
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, New York 12236

Re: Report 2009-S-90

Dear Mr. Patone:

This is meant to be a direct and full response to the findings reported by the New York State Office of the Comptroller. Mountain Lake appreciates the professional manner in which the audit was conducted and will ensure the recommendations made are immediately implemented by Mountain Lake.

As the Report indicates, "for all intents and purposes, Windwood manages all the administrative and fiscal operations" for Mountain Lake. The expenditures cited in the Report were neither reviewed by, nor approved by me. In fact many of the concerns in this Report were raised in 2007 by the then independent Mountain Lake Children's Residence Inc. Board of Directors and me. At the annual meeting in April 2007, the then CEO of Windwood Meadow, Inc. cited in this Report, agreed to allow that Mountain Lake would become separate and independent. However, the then CEO, reversed that decision and the seven (7) independent members of the Mountain Lake Board of Directors were terminated in the summer of 2007 effectively ending any ability to be independent from Windwood Meadow.

At a meeting of the Mountain Lake Children's Residence, Inc. Board on January 17, 2013, the current Board of Directors reviewed the corporate structure as it stands and determined unanimously that it is essential to the effective and expeditious operations of Mountain Lake Children's Residence, Inc. that Mountain Lake sever all ties with Windwood Meadow, Inc. and to reconstitute a new, independent Board of Directors.

386 River Road • Lake Placid, NY 12946-1837 • Tel: 518-523-4300 • Fax: 518-523-5322

MOUNTAIN LAKE ACADEMY

Mountain Lake Children's Residence, Inc.
*Whatever It Takes!*SM

Page 2
Re: Report 2009-S-90

This total separation will be done as soon as possible and is anticipated to be finalized within 90 days from this response. The signed resolutions are attached.

The new Board will consist of members from the local education, business and other professional communities from this region to provide sufficient oversight to effectively manage our operations and meet the expectations of taxpayers by following best practices for this not-for-profit corporation. The new Board will immediately be requested to amend the Mountain Lake by-laws to include the following recommendations from the Report:

- Ensure management has established adequate internal controls and policies to safeguard and protect their organizations funds and assets
- Meet their fiduciary duty to act in the best interests of their organization and should not seek to benefit personally from any business derived from their organization.
- To avoid conflicts of interest or even the appearance of such

The Report indicates that it cannot attest to the propriety of the entire management fee. Mountain Lake will work closely with the OCFS and SED to transparently and fully verify all legitimate and appropriate expenditures, and all revenue is properly reported.

Mountain Lake has worked closely and collaboratively with the OCFS and SED and had an OCFS Voluntary Agency Review of program operations in November 2012. Mountain Lake is the only program of its type in North Country/Adirondack region and is in good standing with both state agencies in regard to services to youth. The new Board will appoint a committee to establish protocols to ensure that Mountain Lake meets all of its responsibilities to provide the appropriate information to the governing agencies to support their oversight of this program.

MOUNTAIN LAKE ACADEMY

Mountain Lake Children's Residence, Inc.
*Whatever It Takes!*SM

Page 3
Re: Report 2009-S-90

In addition to the above, as also noted in the Report, Mountain Lake will adopt formal written policies to meet the following:

- Provide annual training to Board Directors on fiduciary responsibility and conflicts of interest.
- Ensure that reporting of reimbursable expenses complies with SED and OCFS guidelines and requirements.

We look forward to working collaboratively with the OCFS and SED to ensure the resident children are the sole focus of our efforts.

Respectfully submitted,



Carol Prevost
Executive Director

cc: Ms. Gladys Carrion, Commissioner, Office of Children and Family Services
Dr. John B. King, Jr., Commissioner, SED

Resolution of the Board of Directors

Of

Mountain Lake Children's Residence and Mountain Lake Academy

WHEREAS, the Board of Directors has determined that a reconstituted Board is essential to the effective and expeditious operations of Mountain Lake Children's Residence and Mountain Lake Academy;

WHEREFORE, BE IT RESOLVED:

Mountain Lake Academy and Mountain Lake Children's Residence resolves to reconstitute a new, independent Board of Directors and name Richard Scherza and David Young to act as the nominating committee.

By Motion of: D. Young

Date: 1/17/2013

Seconded by: C. Zlotnick
D. Pichis

Vote: to unanimous

To PASS ~~REJECT~~ (cross one out)

Richard Scherza
Chair

Resolution of the Board of Directors

Of

Mountain Lake Children's Residence and Mountain Lake Academy

WHEREAS, the Board of Directors has determined that a change in relations with Windwood Meadows, Inc. is essential to the effective and expeditious operations of Mountain Lake Children's Residence and Mountain Lake Academy;

WHEREFORE, BE IT RESOLVED:

Mountain Lake Academy and Mountain Lake Children's Residence shall sever all ties with Windwood Meadow, Inc. to be effective as soon as they can implement alternative service.

By Motion of: D. Young

Date: 1/17/03

Seconded by: C. Ziemel

Vote: to unanimous

To PASS ~~REJECT (cross one out)~~

m. Richard Sherga
Chair

State Comptroller's Comment

1. We found exception with the Chief Executive Officer's salary because it was not supported with time and attendance documentation or documentation supporting the allocation of the salary between affiliated entities.