



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

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
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September 25, 2013

The Honorable Thomas P. DiNapoli
Comptroller
Office of the State Comptroller
110 State Street, 15th Floor
Albany, NY 12236

RECEIVED
EXECUTIVE CORRESPONDENCE

SEP 30 2013

OFFICE OF THE STATE COMPTROLLER
THOMAS P. DINAPOLI
COMPTROLLER

Dear Comptroller DiNapoli:

In accordance with the provisions of Section 170 of the Executive Law, the following are actions that the State Education Department (Department) has taken, or will be taking, to implement the recommendations contained in the Office of the State Comptroller's (OSC) Final Audit Report (2011-S-41) of Westchester School for Special Children (WSSC): Compliance with the Reimbursable Cost Manual.

Recommendation #1: SED should review the disallowances resulting from our audit and make the appropriate adjustments to the costs claimed on WSSC's CFRs. Adjust WSSC's tuition reimbursement rates, as appropriate.

The Department reviewed the \$802,912 in recommended disallowances and reduced the disallowances by \$43,889 based upon documentation submitted by WSSC regarding certified teachers. The Department applied the remaining recommended disallowances to WSSC's CFR's for the four years ending June 30, 2011 and calculated the audit rates. The audit rates over the four-year period resulted in an approximate \$481,000 reduction to the funding originally established by the Department. The \$481,000 to be recovered is less than the \$802,912 in audit disallowances because the tuition-rate setting methodology applied by SED's Rate Setting Unit already prevented approximately \$321,000 in reported costs from being reimbursed through set limits in various expense categories such as executive compensation and cost increases between years.

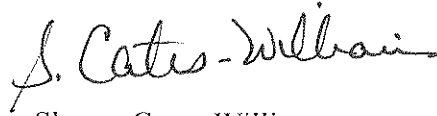
Recommendation #2: Direct WSSC officials to fully comply with the provisions of the Manual and ensure that all reported costs are allowable per the Manual.

In addition to the actions that were taken in response to specific recommendations described above, the Department closely examined the circumstances that led to the findings described in the audit report. The Department found WSSC to be in violation of Article 89 of the Education Law and the regulations promulgated there under, including but not limited to, §200.9(e), failure to submit accurate financial reports and financial statements; and §200.9(f), failure to use tuition rate costs for the purpose for which they were established. On August 5, 2013, the Department placed WSSC on

conditional approval status and required WSSC to submit to the Department a corrective action plan to identify the policies, procedures and practices to address the specific audit OSC audit findings and to make systemic changes to be implemented by WSSC's management and governing board to assure SED that the deficiencies and violations identified in the audit will not recur. The Department will review the corrective action plan submitted by WSSC and if the plan is not deemed sufficient to correct or remedy each audit findings within a timely and effective manner, then SED may determine it is necessary to terminate the program's approval.

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

Sincerely,

A handwritten signature in black ink that reads "S. Cates-Williams". The signature is written in a cursive style with a large initial 'S'.

Sharon Cates-Williams