



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

DEPUTY COMMISSIONER
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January 19, 2017

Hon. Thomas P. DiNapoli
New York State Comptroller
110 State Street, 15th Floor
Albany, NY 12236

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 (2015-S-62) Compliance with the Reimbursable Cost Manual: Aim High Children's Services (Aim High).

Recommendation 1: Review the recommended disallowances resulting from our audit and make appropriate adjustments to Aim High's CFRs and reimbursement rates.

With respect to the recommended disallowances for ineligible costs associated with non-audit services, personal service costs that were over-allocated to SED programs, inadequately documented consulting expenses, staff travel disallowances, and other ineligible expenses (gifts, food, and two transactions not supported by invoices), the Department agrees with this recommendation and will review these recommended disallowances as noted in the report and make adjustments to the reported costs to recover any overpayments, as appropriate, by recalculating tuition rates.

As stated in NYSED's response to OSC's draft audit report, the Department does not agree with the OSC recommendation to disallow \$501,085 in expenses associated with collaborative agreements which make possible integrated educational environments for our state's preschool students with disabilities. It is our position that this disallowance is not supported by applicable New York State Education law, regulations, or the NYSED Reimbursable Cost Manual (RCM) and establishes an incorrect and concerning precedent for future audits of Special Class Integrate Setting (SCIS) programs.

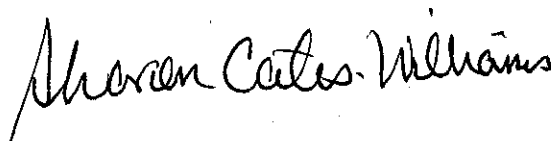
As the RCM does not expressly require other supporting documentation, and the audit does not find the expenses or consideration paid to not be reasonable, necessary or directly related to the SCIS program, NYSED will refrain from making any adjustments to remove the reimbursable expenses associated with Aim High's SCIS collaborative agreements.

Recommendation 2: Work with Aim High officials to help ensure their compliance with Manual provisions, as well as the pertinent provisions of their agreements with collaborative schools.

The Department will continue to provide technical assistance whenever requested and will strongly recommend the Aim High officials take advantage of our availability to help them better understand the standards for reimbursement as presented in Regulation and the Reimbursable Cost Manual (RCM), as well as any future guidance issued to clarify the standards for reimbursement and supporting documentation associated with SCIS collaborative agreements. Furthermore, CFR training is available online on the Department's webpage. The Department recommends that all individuals signing the CFR certification statements, namely Executive Directors and Certified Public Accountants, complete this training. This training is a requirement for preschool special education providers upon approval and re-approval. The Department intends to require that this training be mandatory for all providers.

If you have any questions regarding this response, please contact Suzanne Bolling, Director of Special Education Fiscal Services at 518-474-3227.

Sincerely,



Sharon Cates-Williams

c: Christopher Suriano
Suzanne Bolling