



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

Division of State Government Accountability

Compliance With the Reimbursable Cost Manual

State Education Department Aim High Children's Services



Report 2015-S-62

November 2016

Executive Summary

Purpose

To determine whether the costs reported by Aim High Children's Services (Aim High) on its Consolidated Fiscal Reports (CFRs) were properly documented, program-related, and allowable pursuant to the State Education Department's (SED) Reimbursable Cost Manual (Manual). The audit included the expenses claimed on Aim High's CFRs for the three fiscal years ended June 30, 2014.

Background

Aim High is a not-for-profit organization that provides Special Education Itinerant Teacher (SEIT) and Special Class in an Integrated Setting (SCIS) preschool programs to children with disabilities between the ages of three and five years. During the 2013-14 school year, Aim High served 202 students. The New York City Department of Education (DoE) refers students to Aim High based on clinical evaluations and pays for their services using rates established by SED. The rates are based on the financial information that Aim High reports to SED on its annual CFRs. SED reimburses DoE for a portion of its payments to Aim High based on statutory rates. For the three fiscal years ended June 30, 2014, Aim High reported approximately \$9.7 million in reimbursable costs for the audited cost-based programs.

In addition to the SEIT and SCIS programs, Aim High operated three other SED-approved programs: Evaluations, Related Services, and 1:1 Aides. However, payments for services under these other programs were based on fixed fees, as opposed to cost-based rates established through CFR-reported financial information.

Also, Aim High maintained "collaborative agreements" with eight other schools to integrate certain special education students into mainstream classrooms. Aim High compensated the other schools for their services. According to the agreements, "such monthly consideration shall consist of expenses which shall be reasonable and well documented, and shall be allocated to Aim High under an allocation methodology which is fair and reasonable."

Key Findings

For the three fiscal years ended June 30, 2014, we identified \$616,906 in reported costs that did not comply with the Manual's requirements, and recommend such costs be disallowed. These ineligible costs included \$22,139 in personal service costs and \$594,767 in other than personal service costs. Among the disallowances we identified were:

- \$501,085 in payments to seven other schools for mainstream educational services provided under collaborative agreements. According to the agreements, the cost allocation methods, as well as the statistical basis used to calculate allocation percentages, should have been documented and retained on file for a minimum of seven years. However, Aim High did not provide adequate supporting documentation, as otherwise required, for the payments in question;
- \$75,256 in ineligible costs associated with non-audit services provided by a registered public

- accounting firm and a person associated with that firm, within 365 days of audit work;
- \$22,139 in personal service costs that were over-allocated to the SED programs; and
 - \$11,264 in consulting expenses in which the supporting documentation did not meet the Manual's requirements. These expenses included invoices totaling \$8,745 that were altered by a consultant at the request of an Aim High executive.

Key Recommendations

To SED:

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

To Aim High:

- Ensure that costs reported on future CFRs comply with all Manual requirements, as well as the provisions of agreements with collaborative schools.

Other Related Audits/Reports of Interest

[Whitestone School for Child Development: Compliance With the Reimbursable Cost Manual \(2014-S-38\)](#)

[Institutes of Applied Human Dynamics: Compliance With the Reimbursable Cost Manual \(2014-S-39\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

November 22, 2016

Ms. MaryEllen Elia
Commissioner
State Education Department
State Education Building – Room 125
89 Washington Avenue
Albany, NY 12234

Ms. Pessi Orlander
Executive Director
Aim High Children’s Services
202 Foster Avenue
Brooklyn, NY 11230

Dear Ms. Elia and Ms. Orlander:

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, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the expenses submitted by Aim High Children’s Services to the State Education Department for the purposes of establishing the tuition reimbursement rates. The audit was performed pursuant to the State Comptroller’s authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education 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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This report is also available on our website at: www.osc.state.ny.us

Background

Aim High Children’s Services (Aim High) is a not-for-profit organization that is authorized by the State Education Department (SED) to provide, among other programs, preschool Special Education Itinerant Teacher (SEIT) and Special Class in an Integrated Setting (SCIS) programs to children with disabilities between the ages of three and five years. For the purposes of this report, these programs are collectively referred to as the SED Programs. Based in Brooklyn, New York, Aim High provides these SED Programs to children throughout the five boroughs of New York City. During the 2013-14 school year, Aim High served 202 students.

The New York City Department of Education (DoE) refers students to Aim High based on clinical evaluations and pays for Aim High’s services using rates established by SED. These rates are based on the financial information that Aim High reports to SED on its annual Consolidated Fiscal Reports (CFRs). The State, in turn, reimburses municipalities 59.5 percent of the statutory rate paid to Aim High. To qualify for reimbursement, Aim High’s expenses must comply with the criteria set forth in SED’s Reimbursable Cost Manual (Manual), which provides guidance to special education providers on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses relating to multiple programs. Reimbursable costs must be reasonable, necessary, program-related, and properly documented.

Chapter 545 of the Laws of 2013 authorizes the State Comptroller to audit the expenses reported to SED by special education service providers for preschool children with disabilities. For the three fiscal years ended June 30, 2014, Aim High reported approximately \$9.7 million in reimbursable costs for the aforementioned cost-based SED Programs. Our audit scope was the three fiscal years ended June 30, 2014.

In addition to the SEIT and SCIS programs, Aim High operated three other SED-approved programs: Evaluations, Related Services, and 1:1 Aides. However, payments for services under these other programs were based on fixed fees, as opposed to cost-based rates established through CFR-reported financial information.

Also, Aim High maintained “collaborative agreements” with eight other schools to integrate certain special education students into mainstream classrooms. Aim High compensated the other schools for their services. According to the agreements, “such monthly consideration shall consist of expenses which shall be reasonable and well documented, and shall be allocated to Aim High under an allocation methodology which is fair and reasonable.”

Audit Findings and Recommendations

For the three fiscal years ended June 30, 2014, we identified \$616,906 in reported costs that did not comply with the Manual's requirements for reimbursement. The ineligible costs included \$22,139 in personal service costs and \$594,767 in other than personal service (OTPS) costs (see Exhibit at the end of the report). Among the disallowed costs were certain consultant service charges, totaling \$8,745, for which Aim High provided altered invoices as supporting documentation. A senior Aim High official instructed the consultant to alter the invoices for CFR claiming purposes. The use of altered documents raises material concern about the overall reliability of records provided by Aim High officials in support of the costs Aim High claimed on the CFRs it submitted to SED.

Personal Service Costs

According to the Manual, personal service costs, which include all taxable and non-taxable salaries and fringe benefits paid or accrued to employees on the agency's payroll, must be reported on the provider's CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). During the three fiscal years ended 2013-14, Aim High reported approximately \$8 million in reimbursable personal service costs. We identified \$22,139 in personal service costs that did not comply with the Manual guidelines for reimbursement.

Excessive Allocation of Shared Employees' Compensation

The Manual states that compensation of individuals who work on multiple programs must be allocated based on their actual work effort. If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized. One such method, cited by the Consolidated Fiscal Reporting and Claiming Manual, is the ratio value method, which distributes shared costs as a percentage of an agency's total operating costs.

As noted previously, in addition to the SEIT and SCIS programs, Aim High operated three other SED-approved programs: Evaluations, Related Services, and 1:1 Aides. For the three fiscal years ended June 30, 2014, we identified \$22,139 in over-allocated personal service costs for four employees whose compensation was primarily charged to the cost-based SED Programs. We determined that these employees provided services to Aim High's other programs (Evaluations, Related Services, and 1:1 Aides) by interviewing them and reviewing their official job descriptions.

Since Aim High officials did not properly allocate the shared employees' compensation among all of their programs, we reallocated the employees' compensation using an approved alternative methodology – the ratio value method. Based on our calculations, we determined that \$265,805 (rather than \$287,944) should have been allocated to the cost-based SED Programs. Therefore, we recommend that SED disallow the difference of \$22,139.

Other Than Personal Service Costs

According to the Manual, OTPS costs must be reasonable, necessary, program-related, and supported by sufficient and appropriate documentation. During the three fiscal years ended 2013-14, Aim High reported approximately \$1.7 million in OTPS expenses to the SED Programs. We identified \$594,767 of these expenses that did not comply with SED's reimbursement requirements. Aim High provided us with altered invoices, totaling \$8,745, to support certain OTPS costs. The use of altered documents raises material concern about the overall reliability of records provided by Aim High officials in support of the costs Aim High claimed on the CFRs it submitted to SED.

Payments to Other Schools

As previously noted, Aim High maintained "collaborative agreements" with other schools to integrate its special education students into mainstream classrooms. The agreements, required by DoE, set forth the parties' respective fiscal and programmatic responsibilities. Each agreement stated the following: "such monthly consideration shall consist of expenses which shall be reasonable and well documented, and shall be allocated to Aim High under an allocation methodology which is fair and reasonable. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, will be documented and retained by both parties for review upon audit for a minimum of seven years." These provisions are consistent with SED's requirement that any expenditures that cannot be charged directly to a specific program must be allocated across all programs benefited by the expenditure. For the three fiscal years ended June 30, 2014, Aim High made payments totaling \$517,831 to eight separate schools with which it had collaborative agreements. Over the three-year audit period, total payments to each of the schools ranged from \$2,999 to \$108,000.

We determined, however, that payments (totaling \$501,085) made to seven of the eight collaborative schools were not properly supported, as otherwise required by the Manual and the collaborative agreements. Specifically, neither Aim High nor the collaborative schools could provide documentation of the methodologies used to calculate allocation percentages and the resulting costs charged to Aim High. In addition, one collaborative school official provided evidence that her school, located on public property owned by the Port Authority of New York and New Jersey (Port Authority), charged Aim High \$550 in monthly space rental costs, although the school incurred no such costs to use the Port Authority's space. It is egregious that the collaborative school (a private entity) incurred no rental costs for the Port Authority space, yet was reimbursed by New York State and localities (through Aim High) for the use of that space. During the three fiscal years ended June 30, 2014, the school received \$19,800 in taxpayer funds from Aim High for use of the Port Authority space.

According to Aim High officials, the payment amounts were determined through verbal negotiations with the collaborative schools. However, as previously noted, the agreements with the collaborative schools required the charges to be determined by a fair and reasonable statistical basis for allocating costs, which should have been documented and retained on file. Because Aim High was not able to provide documented support for the costs that were allocated to it by the

collaborative schools, Aim High could not demonstrate that the amounts of such costs were fair and reasonable, as otherwise required.

Based on our review, we recommend the disallowance of \$501,085 in payments made to the seven collaborative schools for which Aim High could not provide supporting documentation of the amounts of monthly consideration and the corresponding payments to the collaborative schools.

Non-Audit Accounting Services

According to the Manual, costs associated with non-audit services provided by a registered public accounting firm or any person associated with that firm, during or within 365 days of required audit work (prior to the beginning of the fiscal period being audited or after the date of the audit report issued for the audit period), are not reimbursable. SED officials advised us that the intent of this provision is to maintain independence of the firm/individuals certifying the CFR or financial statements. The Manual provides examples of non-audit services, which include bookkeeping, management functions or human resources, and legal services.

Aim High's independent financial audit for the fiscal year ended June 30, 2012 was conducted by a particular Certified Public Accounting firm and was issued on April 8, 2013. The same accounting firm was paid \$16,937, which was charged to the SED Programs, for non-audit services provided between July 2011 and April 2012. Because this firm performed required audit work, Aim High should not have claimed reimbursement for non-audit services the firm provided until 365 days after the date the audit report was issued (or April 8, 2014). In addition, Aim High also paid another certified public accountant (CPA), who was associated with the same firm that performed Aim High's independent audit for the fiscal year ended June 30, 2012, for non-audit services that he provided after he left the firm in question. A total of \$58,319 was paid to this CPA and charged to the SED Programs for the period August 1, 2011 through November 27, 2012.

According to Aim High officials, the CPA services in question were not non-audit-related (i.e., the services were audit-related). However, the related engagement letter from the CPA to Aim High stated, "all of our non-audit work is for your informational purposes only" and "our work is not an audit." In addition, Aim High officials indicated that the CPA did not perform any of the non-audit services listed in the Manual. However, SED officials advised us that the non-audit services listed in the Manual did not constitute an all-inclusive list of all non-audit services. Hence, any non-audit service within 365 days of the audit was not eligible for reimbursement.

Based on the Manual and SED's guidance, we determined that the CPA expenses for non-audit services were not reimbursable through November 28, 2012 (or 365 days after the audit of Aim High's 2010-11 financial statements was released, on November 28, 2011). The same CPA firm performed Aim High's 2010-11 audit and the non-audit services in question.

Consequently, we recommend SED disallow a total of \$75,256 (\$58,319 + \$16,937) related to the SED Programs for the costs of non-audit services that were ineligible for reimbursement per the Manual.

Inadequately Documented Consulting Costs

The Manual requires that costs for consultant services be supported by adequate documentation, which includes, but is not limited to, the consultant's resume and a written contract that includes the nature of the services to be provided, the charge per day, and service dates. All payments must be supported by itemized invoices that indicate the specific services actually provided and, for each service, the date(s), number of hours provided, the fee per hour, and the total amount charged.

For the three fiscal years ended June 30, 2014, we found the following:

- \$8,745 in consultant expenses that were not supported by itemized invoices indicating the specific services provided, the date(s) of service, the number of hours billed on each date, or the fee per hour, as required by the Manual. We contacted the consultant, who sent us copies of the original invoices she initially submitted to Aim High. According to the consultant, an Aim High executive directed her to alter the invoices for the \$8,745 in charges and to resubmit them. Further, the consultant told us that she did not provide services to the Aim High SED Programs that we audited. Instead, her services pertained to the preparation of Aim High proposals for other State, federal, and New York City grants. As such, the \$8,745 should have been charged to the programs from which the grants were sought, rather than the SED Programs we audited;
- \$1,405 in consulting expenses for which Aim High could not provide an itemized invoice or other supporting documentation; and
- \$1,114 in charges for staff training provided by a consultant for which Aim High could not provide adequate documentation to support that the training actually occurred (such as an agenda and listing of the staff who attended the training).

Consequently, we recommend that SED disallow \$11,264 (\$8,745 + \$1,405 + \$1,114) for consulting expenses that were not adequately documented.

Staff Travel

The Manual states that travel logs must be kept by each employee indicating dates of travel, destination, purpose, mileage, and related costs such as tolls, parking, and gasoline. In addition, such costs must be approved by a supervisor to be reimbursable.

We identified \$2,609 in travel costs charged to the SED Programs that was not supported by travel logs, as required by the Manual. Aim High officials provided copies of receipts; however, these receipts did not fully meet the Manual's requirements. For example, some receipts did not include the date of travel and others did not have a complete date (only month and day and not the year). Without a full date of travel, there is a risk employees could submit the same receipt for reimbursement multiple times. In addition, some receipts only had a street name with no address. Without a full address, Aim High is unable to verify that the receipt provided is for business purposes. We also identified several car service receipts that listed the pick-up location that matched an apartment complex where the employee requesting reimbursement lived.

Consequently, we recommend that SED disallow \$2,609 in staff travel costs that was not supported by complete travel logs, as otherwise required by the Manual.

Other Ineligible Expenses

According to the Manual, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. Gifts of any kind and food for staff are non-reimbursable.

We found the following expenses charged to the SED Programs that were not in compliance with the Manual's requirements:

- \$4,336 in gift cards provided to staff members;
- \$118 for two transactions that were not supported by invoices; and
- \$99 in food for staff, which is not reimbursable.

According to Aim High officials, the gift cards were provided to teachers to spend during the year for classroom supplies; however, officials were not able to provide documentation to show that these cards were used for such purposes. In addition, the supporting documentation indicated that the gift cards were to include the message "In Appreciation."

Consequently, we recommend that SED disallow \$4,553 (\$4,336 + \$118 + \$99) in expenses that were ineligible for reimbursement per the Manual's pertinent provisions.

Recommendations

To SED:

1. Review the recommended disallowances resulting from our audit and make the appropriate adjustments to Aim High's CFRs and reimbursement rates.
2. Work with Aim High officials to help ensure their compliance with the provisions of the Manual, as well as the pertinent provisions of their agreements with collaborative schools.
3. Ensure that costs charged to SED programs are appropriate and valid.

To Aim High:

4. Ensure that costs reported on future CFRs comply with all Manual requirements, as well as the provisions of agreements with collaborative schools.
5. Ensure that costs charged to SED programs are appropriate and valid.

Audit Scope and Methodology

We audited the costs reported on Aim High's CFRs to determine whether they were properly documented, program-related, and allowable pursuant to SED's Manual. The audit included claimed expenses for the three fiscal years ended June 30, 2014.

To accomplish our objective, we reviewed the Manual and the Consolidated Fiscal Reporting and Claiming Manual, Aim High's CFRs, agreements between Aim High and its collaborative schools, and relevant financial records for the audit period. We also interviewed Aim High officials, staff, and certain vendors to obtain an understanding of their financial and business practices. We selected a judgmental sample of expenses which included certain personal service costs, consulting expenses, staff travel expenses, and credit card payments that were of relatively higher risk based on the nature of the transactions. We also reviewed expenses related to collaborative agreements between Aim High and other schools. Our review of Aim High's internal controls focused on the controls over Aim High's CFR preparation process.

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

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 management 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; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law.

Reporting Requirements

We provided draft copies of this report to SED and Aim High officials for their review and formal comment. We considered SED's and Aim High's comments in preparing this final report and attached their comments to it. In responding to the draft report, SED officials agreed with our

findings and recommendations, with the notable exception of our findings and recommendation regarding costs claimed pursuant to collaborative agreements. In their response, Aim High officials disagreed with our report's findings. Our rejoinders to SED and Aim High comments are included in the report's State Comptroller's Comments.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education 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 if the recommendations were not implemented, the reasons why.

Contributors to This Report

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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.

Exhibit

**Aim High Children's Services
Schedule of Submitted and Disallowed Program Costs
for the 2011-12, 2012-13, and 2013-14 Fiscal Years**

Program Costs	Amount Per CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$7,101,090	\$22,139	\$7,078,951	
Agency Administration	934,940	0	934,940	
Total Personal Services	\$8,036,030	\$22,139	\$8,013,891	A,E
Other Than Personal Services				
Direct Care	\$1,097,697	\$503,982	\$593,715	
Agency Administration	621,380	90,785	530,595	
Total Other Than Personal Services	\$1,719,077	\$594,767	\$1,124,310	A-D,F-H
Total Program Costs	\$9,755,107	\$616,906	\$9,138,201	

Notes to Exhibit

The following Notes refer to specific sections of SED's Reimbursable Cost Manual used to develop our recommended disallowances. We summarized the applicable sections to explain the basis for each disallowance. We provided the details supporting our recommended disallowances to SED and Aim High officials during the course of our audit.

- A. Section II – Costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the education program, and are sufficiently documented.
- B. Section II.14.F – Costs associated with non-audit services provided by a registered public accounting firm or any person associated with that firm, during or within 365 days of required audit work (prior to the beginning of the fiscal period being audited or after the date of the audit report issued for the audit period), are not reimbursable.
- C. Section II.22.C – Costs of food provided to any staff including lunchroom monitors are not reimbursable.
- D. Section II.24 – Gifts of any kind are non-reimbursable.
- E. Section III.1.B – Actual hours of service are the preferred statistical basis upon which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies. If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized.
- F. Section III.1.C(2) – Adequate documentation includes, but is not limited to, the consultant's resume, a written contract that includes the nature of the services to be provided, the charge per day, and service dates. All payments must be supported by itemized invoices that indicate the specific services actually provided; and for each service, the date(s), number of hours provided, the fee per hour; and the total amount charged.
- G. Section III.1.E – Logs must be kept by each employee indicating dates of travel, destination, purpose, mileage, and related costs such as tolls, parking and gasoline and approved by a supervisor to be reimbursable.
- H. Section III.1.M(1) – Any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure.

Agency Comments - State Education Department



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

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September 16, 2016

Mr. Brian Mason
Assistant Comptroller
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236

Dear Mr. Mason:

The following is the New York State Education Department's (NYSED) response to the draft audit report, 2015-S-62, Compliance with the Reimbursable Cost Manual: Aim High Children's Services.

In addition to the actions that will be taken in response to the specific recommendations described below, NYSED will closely examine the circumstances that led to the findings described in the audit report. This examination will include an assessment of the programmatic oversight and fiscal management employed at Aim High Children's Services (Aim High), with particular attention given to the OSC finding relating to altered invoices for consultant services. NYSED's review of the audit findings and assessment of Aim High's oversight and management will be a factor in the consideration of the continued approval of this provider and the corrective action or enforcement actions that may be warranted.

Recommendation 1:

Review the recommended disallowances resulting from our audit and make the 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 and inappropriate consulting expenses, staff travel disallowances, and other ineligible expenses (gifts, food, and two transactions not supported by invoices), the NYSED agrees with OSC's 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.

NYSED 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.

Although NYSED disagrees with this proposed disallowance, it acknowledges a lack of guidance to the field regarding SCIS collaborative agreements and intends to issue guidance to provide clarification regarding the applicable standards for reimbursement and supporting documentation. In this case, the written

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Comment
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*See State Comptroller's Comments, page 27.

contractual agreements provided by Aim High specify the facility, utilities, share-staff and administrative benefits received and include the actual costs incurred by Aim High under the agreement. 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 respectfully asks that OSC revise its draft audit report pertaining to collaborative agreement disallowances.

*
Comment
2

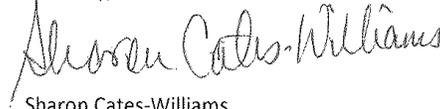
Recommendation 2:

Work with Aim High's officials to help ensure their compliance with Manual provisions.

We agree with this recommendation. SED 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). Furthermore, Consolidated Fiscal Report (CFR) training is available both in person, at one of the six locations it is offered across the State, and online on SED's webpage. SED recommends that all individuals signing the CFR certification statements, namely Executive Directors and Certified Public Accountants, complete this training. At the direction of the Board of Regents, the Department intends to require that this training be mandatory and will require individuals to verify that they have completed the training.

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
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Agency Comments - Aim High Children's Services



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October 14, 2016

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Re: **Audit Report 2015-S-62**
Other than Personal Services Costs - AIM High Children's Services

Dear Mr. Mason:

Aim High Children's services has been successful in educating children with disabilities and has grown over the years based on requests from NYC and NYS to open up additional classrooms. Currently, there are even requests for Aim High to expand its services to additional locations. Its services are valued and extremely impactful to the young children they serve. The staff morale is at its peak and the parents of students are overwhelmingly satisfied with its curriculum and programs servicing their children. Uniquely, Aim High has implemented a method in bringing out the best in each and every child through its ABA oriented programs and Aim High is lucky to have very experienced and knowledgeable staff to carry out its approach each and every day of school. The results of the OSC's audit were disallowances of costs that were used for furthering the programs and helping the children's reach their educational goals.

Aim High did everything it can to provide integrated classrooms to children in the "least restrictive environment" possible and satisfied NYSED's goals and purpose for funding this program.

The following is AIM High Children's Services' ("AIM High's") response to the Office of the State Comptroller's ("OSC's") Audit Findings

Personal Service Costs – \$22,139

Aim High had a clear allocation methodology and therefore the facts for disallowing these costs are missing the key components. Aim Highs allocated 81% to SEIT and 19% to the integrated program. These percentages were based on care units of service, which were the basis for their job duties. The 81/19 ratio represents the allocation methodology used by AIM High to allocate office salaries for SED programs. This allocation methodology allows OSC to recognize that 81% of office salaries are attributable to SEIT programs and 19% of such salaries are attributable to integrated programs. By virtue of AIM High providing the allocation methodology above, OSC can allow the full 81% in SEIT and the full 19% in integrated.

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Integrated Classroom Rental costs - \$501,085

Accepted rentals at sites throughout New York City:

Please refer to Exhibit A for a clear understanding of why these costs are allowable and hence have the disallowance removed.

Relating to JFKidsport site:

The audit report has skewed facts to pave the way for disallowing costs, the site renting from Port Authority works as follows;

- Firstly, Aim High has no relationship at all with the Port Authority, rather, with its collaborated entity named JFKidsport and Aim High only dealt with them. Port Authority potentially owns the space (as this is a multi-state agreement). Aim High needed space in that neighborhood to service children of that locality and JFKidsport's space satisfied New York City and New York State's need to have the students serviced in a special education integrated program.
 - Port Authority/JFK Airport has a program for its employees, through their agreement with JFKidsport, to provide daycare for the full workday at a discounted rate. This discount is an exchange transaction for free rent and is considered a benefit to the Port Authority/JFK Airport employees. Additionally, JFKidsport pays for gas, water and sewer, maintenance, repairs (including roof's, gutters, windows etc.), electricity etc. to the Port Authority. Therefore, Aim High's landlord is not getting free space and can legitimately charge Aim High rent.
 - Either way, Aim High has no relationship with Port Authority/JFK Airport employees, nor does it do business with the Port Authority/JFK Airport, nor does it get involved in the many details of arrangements between JFKidsport and the Port Authority/JFK Airport. Why then would NYS OSC bring us into an area that does not pertain to us at all and seek to disallow these costs?
- Secondly, the word egregious is an overstatement and creates unnecessary negativity. It is unconscionable to create a compliance requirement of having to elicit the landlords finances and force the landlord to create an allocation methodology that uses the landlords own personal building costs in arriving at the rental amount to be passed down to Aim High (that does not even deal with the landlord).
 - As described above, the rental arrangements were JFKidsport were complex.
 - It is a landlords market and being difficult and overly technical will just cause the landlord to dismiss the opportunity completely; this will strain and potentially deprive the process of getting services to the children efficiently. Aim High did everything it can to provide integrated classrooms to children in the "least restrictive environment" possible and satisfied NYSED's goals purpose for funding this program.

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Relating to all of our Integrated Sites:

- Firstly, per the OSC report, the collaborative agreement details are causing us a \$500,000+ loss when we have complied with the RCM and have all documentation **and** reasonable methodologies needed to ensure the funds are being spent prudently. The RCM does not even discuss the requirement to provide an allocation methodology of the landlord's rental costs, and this is merely an interpretation of OSC auditors and not the required compliance by law.
- Secondly, Aim High negotiated a fair monthly payment (as fully described throughout this response) and signed agreements in order to allow Aim High to service its children in that area. Therefore, in addition to having adequate supporting documentation we also have signed leases.
- Thirdly, if the landlord chooses to agree on a monthly rental amount and accepts our proposal (that has been built and crafted very carefully to be within our budget and tuition rate and very reasonable within industry standards) then substance over form would dictate that the rent is plausible and not unreasonable for reimbursement.
- Fourthly, if the collaborative agreement has a boilerplate clause out of many pages that has been interpreted and brought to the level of a \$500,000 disallowance by OSC despite the fact that both parties in so many sites on so many occasions did not make issue of this; that is a clear indication that the sentence is problematic and this retroactive disallowance is unfair.

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Additionally, **ALL COSTS ARE FULLY SUPPORTED** and Aim High provided the details of the allocations within the collaborative agreements. **Please refer to the attached Exhibit B** which includes the documents supporting the allocation, as a sample and example of how we arrived at our portion of rental payments. This is the information OSC was looking for based on its interpretation of the RCM. As described further in this document, these are tasks that can be done if the third party landlord cooperates yet cannot be imposed as a requirement that results in a disallowance.

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AIM High's goal in establishing rates for rental agreements with collaborative Day Care Centers, is to pay approximately \$333 per integrated student, per month. This amount is within its workable cost structure and represents a fair rental amount, as evident from its agreements with many different landlords including Day Care Centers in the various neighborhoods around New York City. Numerous landlords rejected our proposal based on the fact that they could get more money per child from other funding sources. (E.g. private pay, vouchers, Head Start, and UPK). This is a clear indication that our accepted rate of \$333 per student is not excessive, rather acceptable and reasonable.

The following is a breakdown of the rental agreements price per student at several of our integrated sites during the audit period that shows how the cost negotiated was in fact accepted by different landlords and sites. This is a clear indication that the amount is fair, reasonable, and not abusive and hence should be an allowable cost.

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Site 1 – (R& S)	for 9 students	\$3000 / 9 = \$333
Site 2 – (JF)	for 9 students	\$3000 / 9 = \$333
Site 3 – (BG)	for 6 students	\$1800 / 6 = \$300

Basis for the initial calculation of rent:

In addition to the organizations budget analysis (which proved the cost to be affordable, reasonable, and justifiable), the site titled QOL was used to corroborate the reasonableness for arriving at a fair and justifiable rental amount. At QOL Aim High was able to calculate the \$333 per student costs based solely on the landlords allocation of its rent in totality for the site with an allocation to Aim High based on its percentage of usage of the building. This site created a uniform, equitable cost allocation methodology for AIM High that enabled them to calculate a “rate” for purposes of creating an annual budget for classrooms.

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Limited Options for Integrated Sites:

Integrated classrooms are requested by the State in neighborhoods where there is a need for this type of education. Each of the respective areas where Aim High has classrooms is limited in realistic locations that satisfy the compliance requirements and needs in operating a preschool integrated program. Since so many details have to be fitting for the program in order to operate within its compliance requirements, the **spaces are limited**. Therefore, Aim High was significantly limited in its negotiating ability in terms of demanding information from the landlords. It is unfair to come after the fact and punitively retroactively disallow costs based on unrealistic and impossible (as it is out of our hands to force landlords into methodologies; we need to monitor our spending and not their revenue) clauses to comply with.

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Costs were fair and reasonable:

Aim High documents its relationships with landlords and negotiates a fair amount of rent to pay for conducting its integrated program. This program is then reimbursed by the State and the costs which OSC wishes to disallow do not represent mishandling of funds or malfeasance. All rent reported on the CFR in the Integrated program was correctly used for programmatic purposes to service the children of the respective integrated classrooms. There were no other programs in those sites that had to share the rent and no other entities that Aim High had to split its rent with. Rather the area that Aim High rented at each site was used just for the Integrated program that was run by Aim High for SED. As in any landlord/tenant relationship, the landlord’s private finances for affording their portion of the space is beyond the scope of the relationship between the landlord and the tenant and, therefore, the tenant cannot be compelled to obtain such information from its landlords, unless the landlord agrees to provide the information. It is inappropriate to require the tenant to meddle into the landlord’s private financial calculations and negotiations. If Aim Highs rent amount is reasonable then that should constitute an allowable reimbursable cost.

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Additionally, Aim High adhered to the RCM since it did not operate other programs in need of rental costs and did not use the space for multiple entities (such as subsidiaries or parent

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organizations) which would then potentially require allocations. Therefore, the reimbursed funds for rent were used in a fair and reasonable manner and should therefore not be retroactively disallowed.

We therefore respectfully request to have this disallowance removed.

Rent was necessary, program related and within our cost structure:

The rents paid were for integrated classrooms educating disabled children. The costs for the rented space were necessary since students cannot be educated in the street, they must have a classroom and rentable spaces within the neighborhoods where there are educational needs are limited. The costs are within Aim High's cost structure yet the costs per site are not exactly the same as there are always differences in rates of pay to their staff (experience, responsibility, seniority etc.), health benefits costs (some opt out, some single, others family plans), seasonal costs in running a program, levels of IEP mandated therapeutic needs for the children (some children require more services than others and the cost per student increases), annual agreed upon rent increases, lease renewals and related cost modifications, insurance costs and many other factors. Yet, rent payments in a range of approximately \$333 per child, per month, was reasonable, necessary, program related and was financially workable for Aim High and its many different landlords.

Aim High's annual tuition rate from SED amounts to approximately \$29,000 for the ten-month session and \$4,600 for the summer session per student. The tuition rate allowed Aim High to pay its necessary expenses and manage the programs throughout its years in service. The amount calculated for rent within this cost structure amounted to approximately \$333 per student per month (\$4,000 per year) for the rental payments.

Clearly, from a budgetary perspective and a cash flow perspective, Aim High was prudent in negotiating these amounts of rent and therefore the costs were reasonable, not abusive, and wasteful or misuse of tax payers dollars.

We therefore respectfully request to have this disallowance removed.

Sufficient support and appropriate documentation:

All rental costs are adequately supported by signed contracts, vendor invoices, check stubs, etc. Rent is a cost which is not just a requirement, but necessary in order to have an Integrated Class. Aim High used its funds efficiently, effectively and managed them within the reasonable expectations of tax paying citizens. The funds were not mismanaged and were reasonable and necessary.

We therefore respectfully request to have this disallowance removed.

Compliance with the RCM

This disallowance is enormous and is based on 1 boilerplate clause in a 13 page collaborative agreement. This audit was to verify that Aim High was spending its reimbursed funds in accordance with the RCM. We were simply cited on missing 1 boilerplate clause that was not

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part of the RCM, rather, part of a separate boilerplate collaborative agreement between Aim High and its landlords. Since there was not a violation of the RCM there should not be a retroactive disallowance, especially for an amount of this magnitude. It would be fair and show that OSC in fact is not trying to damage this industry by simply pointing out the clause that was missed and requiring corrective action. Notable, Aim High already implemented a corrective action plan to address this issue. It is also important to note that our collaboration agreements were negotiated with our collaborative daycares prior to the Department of Education's implementation of the new boilerplate collaborative agreements in 2012. All these rentals had already been agreed upon by both parties and approved by SED, using the methodology Aim High established when collaborating with our first site at QOL. Aim High embraces all opportunities to become a better and more compliant agency, yet, retroactively disallowing and triggering enormous paybacks for missing this 1 clause (where the landlords also missed this clause and it is evident that this is not negligence) is unfair and not aligned with the severity of the finding. The punishment significantly exceeds the level of the error.

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We therefore respectfully request to have this disallowance removed and contain the issue to a required corrective action plan.

Non-Audit Services \$75,256:

Firm audit costs – The title “Non-audit” services on the accounting firms invoices is not an authoritative word to use as a source for disallowing the cost, in fact, the description of what they did was indeed audit work. The reason for the word ‘non-audit’ on the invoice was a result of the firms office clerk’s method in tracking fixed fees their firm charged versus hourly costs. It is not fair to take the accounting firms internal office clerks wording to disallow a cost when it is clear that they were auditing our organization.

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We therefore respectfully request to have this disallowance removed.

Play on words – RCM Interpretations vs Straight Reading

Non-Audit costs – As the OSC mentions in its report the disallowance was based on SED’s “interpretation” of the RCM and it is not reasonable to disallow based on “interpretations.” The RCM is vague in multiple areas, such as the words ‘within 365 of required audit work’ whereby the OSC is translating that to be referring to the first day of the fiscal year, yet those words would logically refer to the time the organization is under audit which begins the date the audit begins as that is the period of the audit (OSC admitted that they did not know the definition of “required audit work” and they had to seek clarification of what this phrase means from SED); Until such time as SED provides a standard definition of what required audit work means it remains unfair to retroactively disallow the respective costs. It is not fair to use words that are ambiguous to disallow a cost, based on a one sided understanding of the words; especially if the auditors agreed that the words required clarification.

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Furthermore, the defined list in RCM section 11.14F describing “non-audit” services uses the all-inclusive phrase “Such non-audit services include:...” The reasonable and only fair understanding of “include” in this context is that the RCM’s detailed list of approximately 12 examples, is exhaustive. The average reader cannot be expected to develop interpretations beyond the normal understanding of the wording and assume that beyond the dozen examples

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there are more. In fact, there are many examples within the RCM where the word 'include' is used and the examples are exhaustive and specific to the ones identified, and, for the instances where it is not exhaustive the RCM writes "including but not limited to". Therefore, it certainly leads the reader to understand that specifically those are prohibited.

The industry cannot be held to an interpretation of the RCM that differs from what the average and normal individual would understand. If there would be a blatant violation then it is understandable; however, the RCM was innocently read and understood and implemented, and is now being challenged by another way of understanding through SED's interpretation, it is clearly inappropriate to retroactively disallow the cost.

The correct order of events is to first clarify the RCM and then expect the industry to follow those guidelines. Therefore, it is not reasonable to disallow these costs.

We therefore respectfully request to have this disallowance removed.

Importantly, after the accountant left the audit firm they incorporated critical changes such as bringing in a new partner to the engagement, bringing in a new supervisor to the firm with a new audit approach and a different method in examining data, changing the audit approach for the team as a whole with the goal of incorporating many elements of unpredictability and used a national consultant to assist in modifying their audit procedures to ensure a quality audit.

We appreciate the fact OSC pointed this out to us, however, it does not fall into the category of fraud, waste, abuse, misuse of funds, embezzlement or any other issue that would be egregious enough of a reason for its retroactive disallowance, we therefore request that the State provide a corrective action plan and not to retroactively disallow the costs.

Vendor Support - \$11,264

Aim High provided its vendor's invoices to support these costs and it also provided financial tracking details within its financial system. These items of support included when the services were provided and were supported by pay stubs.

The consultant's original work was not going to be successful, yet the consultant demonstrated that she had significant experience and skills in the preschool area and made recommendations to Aim High for the preschool program which notably improved Aim High's delivery of services to its students. The consultant's efforts included descriptions for Aim High's website, materials for practice manuals and policies and procedures. Some examples of the enhancements included, and are not limited to, an enhanced code of ethics, implementing a new high quality curriculum called Creative Curriculum in conjunction with the online Teaching Strategies GOLD system, DAYC which is a Developmental Assessment tool for young children, Improvement of daily calendars for students and Developmental milestones.

Staff Travel - \$2,609

AIM provided the OSC auditors with appropriate and complete backup for the travel of the respective physical therapist (PT) by giving OSC copies of all of the car service receipts, as well as copies of the PT's session-notes for the various services she provided on the days that she

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travelled from Integrated School to Integrated School. The car services receipts had the point of pick-up and were dated.

Other Disallowed Costs - \$4,553

The gift cards were for classroom supplies, this was a method used at one point to try to keep classroom supply needs local at each site and based on the assessment of the classroom staff and the directors of their respective sites. It is Aim High's understanding that they were used for the classroom. The word appreciation was because the staff had requested of management to allow them to purchase their own supplies as they see fit for their particular classroom. This also intended to minimize petty cash needs.

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Conclusion:

We respectfully ask OSC to recognize the legitimacy of these costs and to understandably remove the respective disallowances.

It is saddening to have to pay back funds that have been used directly to help disabled children reach their educational goals and are just a result of OSC's findings that could have remained at a level of requiring a corrective action plan but not retroactively calculated to paybacks.

Aim High and the disabled children it serves need these funds and by accepting our response and removing the disallowance you will effectively be avoiding an enormous financial burden and helping a successful integrated program, that is much desired by the population, to run smoothly.

Very truly yours,

Eliot P. Green
Partner

Attachment

cc: Kenrick Sifontes
Nicholas Angel
Ms. Pessi Orlander
Isaac Bauminger

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**Aim High Children's Services
Rental Costs Should Be Allowable
\$501,767**

A	B	C	D	E	F	(A+B+C+D+E+F)
Reasonable and Necessary	+ Program Related	+ No Abuse	+ Justifiable	+ Prudent	+ Transparent	= Allowable
<p>\$30,000 to \$36,000 annually is a reasonable cost for a classroom site. All 7 landlords that we negotiated with and Aim High (as the tenant) agreed to this fair range of costs for rent. We cannot operate the program without paying rent, therefore it is necessary</p>	<p>All costs in question were specifically for the integrated program and were reported as such on the CFR's</p>	<p>The costs are comparatively inexpensive, and all costs were for integrated program use only. There was no abuse of public funds at all</p>	<p>Costs were adequately documented with an invoice, check, check stub, approvals, amounts paid agreed to the agreement</p>	<p>\$30,000 annually amounts to approximately \$333 per child per month. This fits well within our rate constraints and cash flow abilities</p>	<p>The relationship between the 7 landlords and the Organization were documented with signed agreements, there were no related party issues or conflicts of interest</p>	<p>We ask that OSC allow this cost because the cost was reasonable, necessary, program related, not abusive of public funds, justifiable, prudent and transparent</p>

Corrective Action Plan - Review all contracts and tighten up the wording to ensure there are not any unintended or misleading components. Also, in light of the OSC audit, include a narrative discussing how the landlord and tenant arrived at its rental amount.

Note regarding RCM - These costs were not allocated across programs or entities as they were specifically for the Integrated Program for Aim High, therefore, only the integrated program benefitted from these rental costs. Aim High does not operate more than 1 program in these facilities. Accordingly, the RCM section III.1 M(1) does not negate anything that Aim High has done.

State Comptroller's Comments

1. We disagree. Among a range of prescriptions, SED's Reimbursable Cost Manual (Manual) requires that costs be supported by "adequate substantiating documentation." The Manual does not exempt charges related to collaborative school agreements from this requirement. Moreover, the collaborative agreements, between Aim High and the eight schools, specifically stated that expenses "shall be reasonable and well documented, and shall be allocated to Aim High under an allocation methodology which is fair and reasonable. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, will be documented and retained by both parties for review upon audit for a minimum of seven years." However, neither Aim High nor collaborative school officials provided us with documentation of the statistical basis to support the amounts of monthly charges, which corresponded to amounts Aim High claimed on its Consolidated Fiscal Reports (CFRs). Also, neither Aim High nor collaborative school officials sufficiently documented the methodologies used or the expenses that were claimed.
2. Given the absence of the prescribed data and documentation (as previously detailed in Comment No. 1), we do not accept SED's assertion that the claimed amounts in question were sufficiently documented. We further note that neither SED nor Aim High provided the required data or documentation in their responses to the draft audit report. Further, as noted on page 9 of our report, a vendor (whose costs were claimed on Aim High's CFR) alleged that Aim High directed her to falsify invoice information regarding the Aim High program that benefited from her services. Based on our review, we concluded that the invoices in question had false information. Under these circumstances, it is particularly imperative that Aim High obtain and retain all prescribed data and documentation to support the publicly funded costs claimed on its CFRs.
3. The Manual requires that compensation of individuals who work on multiple programs be allocated based on their work effort or other equitable method. As stated on page 6 of our report, we identified four employees whose compensation should have been allocated to all five programs operated by Aim High. However, Aim High allocated these costs to just two programs. Thus, the allocation percentages used by Aim High over-allocated costs to the SEIT and integrated programs.
4. Aim High's assertion is baseless and without merit. As stated on page 11 of the report, the audit was conducted in accordance with generally accepted government auditing standards. As such, OSC did not "skew the facts to pave the way for disallowing costs." In fact, as detailed in the report, the costs in question were disallowed because Aim High did not comply with the Manual's requirements.
5. We disagree. JFKidsport's monthly invoices to Aim High were for \$3,000. The itemized invoices typically included \$550 for space rental; however, JFKidsport did not incur a monthly rent charge from the Port Authority. Consequently, Aim High reimbursed JFKidsport for rent costs it did not incur. Other itemized expenses on the invoice included electricity, telephone, Internet, building maintenance, bookkeeper, Director, instructional supplies, equipment, and taxes. We acknowledge that JFKidsport could have charged Aim High for these other costs, if they were sufficiently documented, as otherwise required by the Manual. However, as noted in the report, these costs were not sufficiently documented.

6. We acknowledge that Aim High had no relationship with the Port Authority/JFK Airport. However, Aim High had a contractual relationship with JFKidsport, which used space provided by Port Authority/JFK Airport at no charge for rent. Our report recommended disallowances associated with space rental reimbursements that Aim High paid to JFKidsport for use of Port Authority space.
7. We maintain that the charge in question was “egregious.” Taxpayers should not have to reimburse any party for \$19,800 (or any other amount for that matter) in rental charges that were in fact never incurred.
8. This is not “merely an interpretation of OSC auditors.” The applicable provisions of the Manual and the agreement between Aim High and the collaborative schools are abundantly clear. For specific detail, refer to Comment No. 1.
9. Aim High asserts that the negotiated amount at JF was for 9 students; however, during our audit period, it did not have 9 students enrolled at this location. Specifically, during the 2011-12 fiscal year, Aim High had 7 students enrolled; during the 2012-13 year, it had 6 students enrolled; and during the 2013-14 year, it had 5 students enrolled. This changes the amount per student from \$333 per child (as Aim High asserts) to \$429 per student, \$500 per student, and \$600 per student, respectively. Further, this is the same provider for which Aim High reimbursed space rental costs (totaling the aforementioned \$19,800) which the provider did not incur.
10. We disagree. As Aim High notes subsequently in its response, costs per site are not the same for different sites. As stated in the agreements with each of the collaborative schools, the monthly consideration should consist of expenses which are reasonable, well documented, and allocated to Aim High under an allocation methodology which is fair and reasonable. Each individual school’s costs are not to be based on the costs of other collaborative schools.
11. Aim High did not provide sufficient documentation for the costs that were allocated to them by the collaborative schools; therefore, they are not in compliance with the Manual. Also, see Comment No. 1.
12. Aim High was not in compliance with the requirements in the Manual as they could not support the reported expenses.
13. The fact remains that the costs in question were not supported by sufficient information and documentation. Again, see Comment No. 1. Further, absent the required information and documentation, we question how one can assert that the funds were used efficiently and effectively and were managed within the expectations of “tax paying citizens.”
14. We disagree. The Manual requires that costs be sufficiently documented. As detailed in Comment No. 1, the agreements between Aim High and the collaborative schools prescribed the methodology and documentation requirements to support the payments Aim High made to the schools. However, as detailed in the report, Aim High did not comply with the prescribed requirements, and therefore, did not comply with the Manual.
15. OSC is not “trying to damage” any industry. Rather, OSC is fulfilling its statutory mission to provide accountability for tax dollars spent to support State-sponsored operations.
16. The collaboration agreements Aim High provided us had effective dates starting in September 2011 (for those schools they collaborated with at the time), which was part of the first year of our audit period. Having entered into these agreements deliberately and formally, Aim High officials should have ensured full compliance with the applicable

provisions of the agreements, particularly those pertaining to financial matters, for CFR claiming purposes.

17. We disagree. The descriptions listed on the CPA's invoices clearly indicate that the services provided were non-audit.
18. We contacted SED officials to seek clarification on certain sections of the Manual. Aim High officials could have done the same. In fact, the Manual states, in part, that "When the Manual is silent on the treatment of a cost, it should not be assumed that such costs are reimbursable...all users of this Manual are strongly encouraged to contact the New York State Education Department...with questions or concerns."
19. We disagree. We requested clarification from SED officials on whether the list was all-inclusive and they advised us that it was not. Refer to Comment No. 18.
20. As stated on page 9 of our report, Aim High did not provide sufficient documentation to support the consultant expenses reported on the CFR. Moreover, one vendor alleged that Aim High directed her to place false information on her invoices. Based on our review of the invoices in question, the invoices had false information. Also, see Comment No. 2.
21. The documentation Aim High officials provided was insufficient to support the travel costs for the physical therapist, and therefore, these costs did not comply with the requirements of the Manual.
22. Aim High officials were unable to provide documentation to show that the gift cards were used for classroom supplies.