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
Whispering Pines Preschool, Inc.

Report 2013-S-48 June 2015

Executive Summary

Purpose

To determine whether the costs reported by Whispering Pines Preschool, Inc. (Whispering Pines) on its Consolidated Fiscal Reports (CFRs) were properly calculated, adequately documented, and allowable under the State Education Department's (SED) guidelines, including the Reimbursable Cost Manual (RCM). Our audit covered the two fiscal years ended June 30, 2012.

Background

Whispering Pines is a SED-approved, for-profit special education provider of center- and home-based services to infants, toddlers, and preschool-age children in nine counties. Whispering Pines has three sites (Delanson, Cobleskill, and Amsterdam, New York). Its Director and owner is Dr. Martha Frank (Director). Whispering Pines is reimbursed for preschool special education services through rates set by SED. These reimbursement rates are based on financial information, including costs, that Whispering Pines reports to SED on its annual CFR. To be eligible for reimbursement, reported costs must comply with RCM requirements. For the two fiscal years ended June 30, 2012, Whispering Pines reported about $6.1 million in reimbursable costs on its CFRs for three rate-based programs.

Key Findings

Whispering Pines claimed $146,972 in ineligible costs for three rate-based programs for the two years covered by our audit. The ineligible costs included:

- $71,397 in personal service costs consisting of salary and fringe benefits paid to the Director's husband and bonuses paid to some personnel; and
- $75,575 in non-personal service costs, including $33,688 in ineligible or unnecessary vehicle and equipment costs, $25,644 in ineligible interest expense, $3,798 in unnecessary contracted services, and $12,445 in other non-reimbursable costs.

In addition, Whispering Pines did not disclose non-interest-bearing advances to its Director that should have been reported on its CFRs as other compensation and benefits.

Key Recommendations

To SED:

- Review the recommended disallowances resulting from our audit and adjust Whispering Pines' CFRs and tuition reimbursement rates as appropriate.
- Remind Whispering Pines officials of the pertinent SED guidelines that relate to the deficiencies we identified.

To Whispering Pines:

- Ensure that costs reported on annual CFRs fully comply with SED's requirements, and communicate with SED to get clarification as needed.

Other Related Audits/Reports of Interest

Dynamic Center Inc.: Compliance With the Reimbursable Cost Manual (2014-S-3)
LaSalle School: Compliance With the Reimbursable Cost Manual (2012-S-68)

State of New York
Office of The State Comptroller

Division of State Accountability

June 2, 2015

Ms. Elizabeth R. Berlin
Acting Commissioner
State Education Department
89 Washington Avenue
Albany, NY 12234

Dr. Martha Frank
Director
Whispering Pines Preschool, Inc.
2841 Thousand Acre Road
Delanson, NY 12053

Dear Ms. Berlin and Dr. Frank:

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 costs submitted by Whispering Pines Preschool, Inc. to the State Education Department for purposes of establishing preschool special education tuition reimbursement rates. These rates are used to bill public funding sources that are supported by State aid payments. 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
State Government Accountability

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This report is also available on our website at: www.osc.state.ny.us

Background

Whispering Pines Preschool, Inc. (Whispering Pines), a for-profit entity located in Delanson, New York, is authorized by the State Education Department (SED) to provide preschool special education services to children with disabilities who are between the ages of three and five years. It also serves children with typical needs through other programs focused on early learning. During the two years ended June 30, 2012, Whispering Pines operated sites in Delanson, Cobleskill, and Amsterdam, New York. It has since added classrooms at a Gloversville site. Whispering Pines' Director and owner is Martha Frank.

For the two fiscal years ended June 30, 2012, Whispering Pines offered three SED-funded rate-based programs: Preschool Special Education Itinerant Teacher (SEIT) Services; Preschool Integrated Special Class Services – over 2.5 hours per day; and Preschool Integrated Special Class Services – 2.5 hours per day. These programs served about 200 children from 36 school districts in nine New York counties (Albany, Delaware, Fulton, Greene, Montgomery, Otsego, Saratoga, Schenectady, and Schoharie). Whispering Pines received $5.6 million in funding from the State and counties in support of these special education services.

The counties that use Whispering Pines' special education services pay tuition using reimbursement rates set by SED. The State, in turn, reimburses the counties 59.5 percent of the tuition that counties pay. SED sets the special education tuition rates based on financial information, including costs, reported by Whispering Pines on the annual Consolidated Fiscal Reports (CFRs) that it submits to SED. Costs reported on the CFR must comply fully with the guidelines in SED's Reimbursable Cost Manual (RCM) regarding the eligibility of costs and documentation requirements and meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the two fiscal years ended June 30, 2012, Whispering Pines reported about $6.1 million in reimbursable costs for the three SED rate-based programs it operated.

Audit Findings and Recommendations

According to the RCM, costs reported on the CFR are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and adequately documented. For the two fiscal years ended June 30, 2012, we identified $146,972 in costs reported by Whispering Pines that did not comply with RCM requirements for reimbursement, including $71,397 in personal service costs and $75,575 in non-personal service costs. We also found unreported related-party transactions that Whispering Pines should have disclosed on its CFRs.

Personal Service Costs

We identified $71,397 in ineligible personal service costs that Whispering Pines claimed for the two years ended June 30, 2012. This included $69,449 in compensation and benefits claimed for the Maintenance Supervisor that exceeded regional averages and $1,948 in bonuses that were not merit-based, as otherwise required.

Excessive Compensation Claimed for the Maintenance Supervisor

According to the RCM, personal service costs include salaries and wages, fringe benefits, and retirement plan costs that are paid or accrued to employees. Compensation to shareholders and family members who are also employees must be commensurate to actual services provided and must not include distribution of earnings in excess of reimbursable compensation. In addition, compensation to the above individuals is not reimbursable if it exceeds average regional levels paid by similar providers to comparably qualified personnel for similar work and hours. Providers must maintain time and attendance records for personnel whose salaries are charged to the funded programs.

The Director's husband is employed as Whispering Pines' Maintenance Supervisor. The husband's annual salary was $63,800 in each of the two years we reviewed, plus benefits that included a 401(k) plan with an employer matching contribution. The Maintenance Supervisor role and related costs are reported on the CFRs as a full-time equivalent "Housekeeping and Maintenance" position, described in the Manual as "maintenance, cleaning and repair of the physical environment of a building." The salary and benefits claimed for his position for the two years was $136,626 for the three programs, including $68,575 for the year ended June 30, 2012 and $68,051 for the prior year. We determined the reported compensation for the Maintenance Supervisor exceeded regional averages by $69,449 for the two years, including $56,657 in salary and $12,792 in fringe benefits, and should be disallowed. Although SED previously disallowed $33,666 related to this matter for the year ended June 30, 2011, additional adjustments totaling $35,783 ($69,449 - $33,666) are warranted.

The Director questioned whether the SED methodology for comparative salary analysis, which uses salary data for positions that vary in skill and compensation, was appropriate for her husband's position, citing his advanced skills and duties. However, in arriving at our disallowance, we used RCM criteria and the same salary data that was routinely used by SED for this same purpose.

Ineligible Bonuses

The RCM also provides guidance about reimbursable bonuses, and describes bonus compensation as a non-recurring lump sum payment in excess of regularly scheduled salary and not directly related to hours worked. Bonus compensation may be reimbursed if it is based on merit and supported by performance evaluations. Bonuses that are restricted to only administrative staff are not reimbursable.

We identified $1,948 in bonus payments that Whispering Pines claimed as compensation on the CFR for the year ended June 30, 2011 that were not supported by performance evaluations, and therefore are not reimbursable. The Director did not dispute the disallowance.

Non-Personal Service Costs

We identified $75,575 in ineligible non-personal service costs that Whispering Pines claimed for the audit period. These costs included $33,688 related to vehicles and equipment, $25,644 in ineligible interest, and $16,243 in other non-reimbursable costs.

Unnecessary and Undocumented Vehicle and Equipment Costs

According to the RCM, vehicle costs, such as fuel and repairs, are reimbursable if they are supported by vehicle logs that document both their use by the funded program and the costs incurred, and include date, time of travel, destinations, mileage, and purpose of travel. Claimed costs must also be reasonable and necessary. Whispering Pines owned – and the Maintenance Supervisor used – a 2009 Dodge Ram 1500 pickup truck that it purchased in 2009 for about $43,000, and a sander and trailer used with the truck. Whispering Pines claimed on its CFRs a total of $30,329 in depreciation and other expenses related to the truck.

The Maintenance Supervisor said he used the truck to transport items among the three sites; however, he did not maintain logs for the truck for either of the two years we reviewed. Therefore, the related costs are not reimbursable. They consist of:

- $17,760 in depreciation expense;
- $9,146 for gasoline;
- $2,541 for repairs and insurance; and
- $882 for interest expense associated with the truck loan.

The Director acknowledged there were no vehicle logs that supported her husband’s travel, but said he is now keeping logs.

Whispering Pines claimed $8,163 in similar expenses for two Kubota tractors it owns – purchased in 2008 and 2002. The Maintenance Supervisor said he uses the newer tractor to clear debris and snow from the parking lots and other areas around the properties; he uses the older tractor, which also has a front loader that can be used to clear debris, for lawn maintenance and smaller-scale tasks. During the course of our audit, however, we found that Whispering Pines claimed more than $9,500 in costs for snow removal done by outside contractors. In addition, the Maintenance Supervisor said that Whispering Pines bought the newer tractor from a family member, who also works at Whispering Pines, in part to relieve the family member's financial burden. We concluded that the newer tractor was not a necessary and reasonable program-related cost, and the related costs, which total $3,358, are not reimbursable, as follows:

- $2,613 in depreciation expense;
- $281 for tires;
- $268 for diesel fuel; and
- $197 for interest expense associated with the tractor loans.

Unnecessary Contractor Services

The RCM states that costs for consultant services are not reimbursable if the services could have been performed by an appropriately certified school officer or employee who possesses the necessary technical skills. We identified costs for services that Whispering Pines paid others to do, although the tasks could have been performed by the Maintenance Supervisor.

According to the Director, one of the Maintenance Supervisor's main job activities is transporting mail, billing records, and furniture among Whispering Pines' three sites. The Maintenance Supervisor, too, cited transporting items as one of his main duties. He said he also does snow maintenance, sanding, electrical work, lawn maintenance at the Delanson and Cobleskill sites, carpet cleaning, and floor restoration. His written job description lists similar duties, such as maintaining the buildings and grounds; supervising large maintenance jobs involving masonry and cement work; and performing small maintenance tasks such as painting, carpentry, and general upkeep involving structures, furnishings, equipment, and floor coverings. The written job description, however, does not include courier duties.

We reviewed a sample of costs totaling $31,424 for maintenance work that Whispering Pines paid contractors to do and reported on its CFRs. The jobs included snow plowing, landscaping, and painting, among others. We concluded that $3,798 of these costs, incurred for yard work and painting, were for work that could have been done by the Maintenance Supervisor, and are therefore not reimbursable.

The Director said that the Maintenance Supervisor's job description includes "other duties as assigned by the director/controller" and that outsourcing some repair and maintenance work is necessary because some tasks are not practical for him to do. She also explained that he has to transport materials among sites since other staff members are not always available. However, better allocations of work assignments could result in the Maintenance Supervisor being more available for his stated job duties.

Ineligible, Unreasonable, and Inadequately Documented Costs

According to the RCM, personal travel, gifts or gift certificates to staff or others, flowers or parties for staff, and holiday parties are not reimbursable, nor are costs for food and beverages at meetings. To be reimbursable, costs must also be documented and reasonable.

During the two years we examined, Whispering Pines personnel used an American Express credit card, as well as purchase card accounts with Dell, Home Depot, Staples, Hannaford, and other vendors, for some of its purchases. We examined all of the credit and purchase card costs that were claimed for the three rate-based programs and for the school's administration. We also examined a sample of costs claimed for supplies and repairs and maintenance. In total, we reviewed $221,443, and identified $12,445 in non-reimbursable costs, as follows:

- $5,739 in costs that were either explicitly ineligible per the RCM or not directly related to the special education program, including $2,191 in coffee and related supplies, $1,073 in food and supplies for staff trainings, meetings, and receptions, and $2,475 in other ineligible costs;
- $3,053 in late fees, annual credit card membership fees, and finance and interest charges that were not reasonable, including a $445 interest charge (at 27.24 percent) applied to a credit card balance;
- $2,923 in credit card and other charges that lacked adequate documentation to support their program-related use; and
- $730 in gifts and gift cards, some of which were described as being for staff.

The Director attributed some of the incorrectly claimed costs (including those for coffee and food) to a former employee's record-keeping errors. She disagreed that the late fees were unreasonable. Nonetheless, such costs could have been avoided if Whispering Pines paid its bills on time.

Other Non-Reimbursable Costs

According to the Manual, interest expense is reimbursable under certain circumstances that include timely filing of required financial information, including the CFR. The Manual requires that providers submit CFRs no later than 120 days after the end of the reporting period, or no later than 150 days after the end of the period with a pre-approved extension request. The extended due date for July-June filers, such as Whispering Pines, is December 1. Interest expense on working capital loans is reimbursable on a prorated basis if the CFR is submitted within 90 days after the due date; otherwise, it is not reimbursable.

During the two fiscal years ended June 30, 2012, Whispering Pines maintained a $650,000 revolving line of credit, which it used as working capital to meet payroll and other obligations. The outstanding balance averaged $336,000 during the two years, resulting in $30,654 of interest expense claimed on the CFRs, including $25,644 for the three SED rate-based programs.

SED uses CFR data to establish prospective rates for the school year two years in advance of the school year of the CFR submitted. SED also establishes reconciliation rates with the same CFR data to determine whether the prospective rates, based upon CFR data from two years prior, should be increased or decreased. For example, the July 1, 2011-June 30, 2012 CFR is used to establish the 2013-14 prospective rate and the 2011-12 reconciliation rate. Whispering Pines submitted its CFR for the year ended June 30, 2012 on March 29, 2013 – 118 days after the extended December 1 due date – and for the year ended June 30, 2011 on May 20, 2012 – 171 days past the extended due date. It also submitted CFRs for the years ended June 30, 2010 and June 30, 2009 more than 90 days late. Since the CFRs SED used to establish funding were submitted more than 90 days late, the $25,644 of working capital interest is not reimbursable. We note that SED disallowed $16,651 of interest for the year ended June 30, 2012 prior to our audit. However, an additional adjustment of $8,993 ($25,644 - $16,651) is warranted.

Non-Disclosure of Related-Party Transactions

The CFR Manual requires that providers disclose compensation and other benefits paid to the five highest-paid employees on CFR Schedule 6. Other benefits include loans made in lieu of or in addition to monetary compensation. During the audit period, Whispering Pines paid personal expenses on behalf of the Director and her family members, such as monthly credit card and cell phone charges. The accumulated expenses paid on behalf of the Director – $172,003 at June 30, 2012 and $124,446 at June 30, 2011 – were disclosed in the notes to the audited financial statements as a non-interest-bearing advance to the shareholder (the Director). The advance was essentially an interest-free loan to the shareholder with no written terms of repayment.

Whispering Pines did not claim these personal expenses on its CFRs, and it appropriately reported the compensation and fringe benefits paid to the Director on Schedule 6 of the CFR. However, the net change in the accumulated advance amount, which represented interest-free borrowing by the Director and which totaled $68,412 over the two years, was a benefit to the Director that Whispering Pines did not report on Schedule 6. Without this disclosure, the CFR did not accurately and fully disclose all relevant transactions with related parties.

Recommendations

To SED:

1. Review the recommended disallowances resulting from our audit and adjust Whispering Pines' CFRs and tuition reimbursement rates as appropriate.

2. Remind Whispering Pines officials of the pertinent SED guidelines that relate to the deficiencies we identified.

To Whispering Pines:

3. Ensure that costs reported on annual CFRs fully comply with SED's requirements, and communicate with SED to get clarification as needed.

4. Properly disclose related-party transactions and the corresponding benefits on CFR Schedule 6.

Audit Scope and Methodology

We audited costs that Whispering Pines reported on its CFRs for the two fiscal years ended June 30, 2012. The objective of our audit was to determine whether the reported costs were allowable, properly calculated, and adequately documented in accordance with applicable SED requirements.

To accomplish our objective, we reviewed the RCMs that applied to the two years we examined, as well as the CFR Manuals and their related appendices. We also became familiar with Whispering Pines' internal controls as they related to costs it reported on the CFR. We reviewed Whispering Pines' CFRs for the two years ended June 30, 2012, as well as its audited financial statements for the same period. We obtained accounting records and supporting information to assess whether costs claimed by Whispering Pines on the CFR were properly calculated, adequately documented, and allowable. We interviewed personnel to obtain an understanding of the practices for reporting costs on the CFR. We visited the three sites of operations and performed analysis and observations at those sites. We considered information SED and Whispering Pines provided through December 4, 2014.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those 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 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 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 under 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 a draft copy of this report to SED and Whispering Pines officials for their review and formal comment. We considered their comments in preparing this report and have included them in their entirety at the end of it. In their response, SED officials agreed with our audit recommendations and indicated the actions they will take to address them. Whispering Pines officials, however, disagreed with a significant portion of the disallowances we identified. Our rejoinders to certain Whispering Pines comments are included in the report's State Comptroller's Comments.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the State Education Department 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.

Contributors to This Report

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Vision

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Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Exhibit

Whispering Pines Preschool, Inc.
Schedule of Submitted Disallowed and Allowed Program Costs
Fiscal Years 2011-12 and 2010-11

Program Costs	Amount Per CFR	Amount Disallowed	Amount Allowed	Notes to Exhibit
Personal Services				
Direct Care	$4,366,777	$69,749	$4,297,028	
Administrative	766,338	1,648	764,690	
Total Personal Services	**$5,133,115**	**$71,397**	**$5,061,718**	A-D
Non-Personal Services				
Direct Care	$615,045	$46,157	$568,888	
Administrative	311,395	29,418	281,977	
Total Non-Personal Services	**$926,440**	**$75,575**	**$850,865**	A, E-P
Totals	**$6,059,555**	**$146,972**	**$5,912,583**	

Notes to Exhibit

The following Notes refer to specific sections of the Reimbursable Cost Manual (RCM); the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual); and Part 200 of the Regulations of the Commissioner of Education and Education Law (EDN) that we used as a basis for 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 Whispering Pines officials during the course of the audit.

A. RCM Section II (2009, 2011): Generally, costs are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and sufficiently documented.
B. RCM Section II.14 (2009, 2011): Compensation for personal services includes all salaries and wages, as well as fringe benefits and pension plan costs.
C. RCM Section II.14.A.5 (2009, 2011): Compensation to all individuals including shareholders, trustees, board members, officers, family members or others who have a financial interest in the program and who are also program employees must be commensurate to actual services provided as program employees or consultants and shall not include any distribution of earnings in excess of reimbursable compensation. Compensation to such individuals shall not exceed the average regional levels paid by similar private providers to comparably qualified and appropriately certified personnel for similar work and hours of employment. Any compensation determined to be excessive will not be reimbursed in the tuition rate.
D. RCM Section II.14.A.10 (2009): Bonus compensation shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment(s) in excess of regularly scheduled salary which is not directly related to hours worked. Bonus compensation may be reimbursed if based on merit as measured and supported by employee performance evaluations. Bonus compensation restricted to only administrative staff is not reimbursable.
E. RCM Section III.1.J.2 (2009, 2011): Vehicle costs are only allowed for reimbursement if they are supported by vehicle logs consisting of date, time of travel, destinations, mileage, purpose of travel, and adequate supporting information for mileage and repairs.
F. RCM Section III.1.E (2009, 2011): Logs must be kept by each employee indicating dates of travel, purpose, mileage, and related costs, such as tolls, parking, and gasoline, and approved by supervisor to be reimbursable.
G. RCM Section II.15.A.2 (2009, 2011): Costs of consultants' services are reimbursable if the services could not have been performed by an appropriately certified school officer or employee who possesses the necessary technical skills.
H. RCM Section III.1.D (2009, 2011): All purchases must be supported with invoices listing items purchased and indicating date of purchase and date of payment.
I. RCM Section II.30.C (2009), RCM Section II.31.C (2011): Costs for food, beverages, entertainment, and other related costs for meetings are not reimbursable.
J. RCM Section II.23.C (2009, 2011): Costs of food provided to any staff are not reimbursable.
K. RCM Section II.25 (2011): Gifts of any kind are non-reimbursable.

L. RCM Section II.21.B (2009, 2011): All personal expenses, such as personal travel expenses, laundry charges, beverage charges, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on a personal vehicle, rental expenses for personal apartments, etc., are not reimbursable unless specified otherwise in the Manual.
M. CFR Manual Section 4, page 4.1 (10-11, 11-12): All service providers must submit completed Consolidated Fiscal Reports (CFRs) to the funding State Agency no later than 120 days after the end of the reporting period, or no later than 150 days after the end with a pre-approved extension request.
N. CFR Manual Section 15, page 15.3, item 12 (10-11, 11-12): Working capital interest is interest expense on loans that are secured for operational purposes.
O. RCM Section II.28.D.3 (2009), Section II.29.D.3 (2011): Interest on working capital loans for late filers of required financial information is reimbursable on a prorated basis if submitted within 90 days of the due date; otherwise, it is not reimbursable.
P. RCM Section II.28.D.5 (2009), RCM Section II.29.D.5 (2011): Interest expense on capital indebtedness is reimbursable only when there are no loans/notes receivable from related parties at any time during the loan repayment period.

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
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April 10, 2015

Ms. Andrea Inman
Audit Director
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Division of State Government Accountability
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Albany, NY 12236

Dear Ms. Inman:

The following is the New York State Education Department's (SED) response to the draft audit report, 2013-S-48 of the State Education Department: Whispering Pines Preschool, Inc.

In addition to the actions that will be taken in response to the specific recommendations described below, the Department 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 Whispering Pines Preschool, Inc., and 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 adjust Whispering Pines' CFRs and tuition reimbursement rates as appropriate.

We agree with this recommendation. The Department will review the recommended disallowances as noted in the report and make adjustments to the reported costs to recover any overpayments, as appropriate, by recalculating tuition rates.

Recommendation 2: Remind Whispering Pines officials of the pertinent SED guidelines that relate to the deficiencies we identified.

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend the Whispering Pines Preschool, Inc. 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 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 reapproval and 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,

S. Cates-Wi

Sharon Cates-Williams

c: James P. DeLorenzo
Suzanne Bolling

Agency Comments - Whispering Pines Preschool, Inc.

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March 30, 2015

VIA E-MAIL & HAND DELIVERY
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Re: Whispering Pines Preschool, Inc. ("WPP")//2013-S-48
Compliance with the Reimbursable Cost Manual

Dear Ms. Inman:

We have reviewed the "Draft Report" dated February, 2015, as referenced above, and appreciate the opportunity to provide comment. We gratefully acknowledge the initial revisions made based upon our explanation of items identified by the auditors in the preparation of the preliminary report and the materials provided in support of the restoration of certain preliminary disallowances as discussed in detail at the exit conference with OSC staff and PSRU/NYSED representatives. We must, however, renew our challenges to certain findings as detailed below. We maintain that in certain limited instances, select principles of the Reimbursable Cost Manual (RCM) against which WPP was audited, have been misconstrued or misapplied.

* Comment 1

Audit Findings and Recommendations

Personal Service Costs

We challenge a significant portion of the auditors' finding of $71,397 in ineligible personal costs as detailed below.

Compensation//Maintenance Supervisor

We challenge the auditors' conclusion that the reported compensation for the titled position - - Maintenance Supervisor - - exceeded regional averages by $69,449 for the two year audited period, salary and fringe. In point of fact, while NYSED PSR had in 2010-11 disallowed a portion of the reported salary, in all subsequent years, NYSED RSU had declined to continue to make such adjustments - - express acknowledgement of the appropriateness of the salary level.

* Comment 2

Moreover, WPP had, on several occasions, requested technical assistance from NYSED PSR regarding how best to report the 2011-12 and subsequent years' salary (acknowledging the 2010-11 disallowance) only to be instructed to continue reporting as in 2010-11. The only reasonable conclusion to be drawn from this communication exchange was that in years

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*See State Comptroller's Comments, Page 35

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subsequent to 2010-11, including the audit years, NYSED RSU had sanctioned the salary level reported (See: Attached TRADJ sheets).

We challenge the auditors' substitution of its judgment, then, for that of NYSED RSU. NYSED RSU's clear acceptance of the salary level, even upon notice of a prior year disallowance, cannot be ignored.

* Comment 3

Moreover, the auditors' determination of "excessive" is flawed. While the exact formulae used by the auditors is unclear, the auditors purport to having "used RCM criteria and the same salary data that was routinely used by SED for this same purpose". As a practical matter, WPP is at a disadvantage at the outset as we can only speculate as to what "comparables" the auditors or NYSED may have used in determining excessiveness. Clearly, the WPP Maintenance Supervisor's responsibilities far exceed supervision of project completion or general maintenance. As described in great detail by WPP, the Maintenance Supervisor performs daily maintenance tasks at each of the four scattered program sites. The responsibilities and activities are, for all intents and purposes, four fold those of a Maintenance Supervisor whose responsibilities are focused on a single site location. As the auditors acknowledge in the Draft Report, these activities include grounds keeping, general maintenance and repairs, plumbing, electrical repair, mechanic, carpentry, to name a few, for <u>each</u> of the <u>four</u> site locations.

* Comment 4

* Comment 5

Clearly, separately bid contracts for such services would reflect costs <u>in excess</u> of the salary reported.

Lastly, as shared during the exit conference, it strains reason that WPP could have anticipated what "regional average" - - what comparables - - either the auditors or NYSED may have used in determining "excess". A reasonable assessment of actual "comparables" of each of the activities in which Maintenance Supervisor engaged - - many of which require the skills of a licensed tradesman - - supports the approximately $64,000 salary reported, consistent with RCM requirements that compensation be aligned with "comparably qualified and appropriately certified personnel for similar work and hours of employment".

* Comment 6

Accordingly, we request the finding be adjusted to restore the entire disallowance salary for 2011-12 through the audit years, and identify the $33,666 as the amount NYSED had determined to be excessive upon rate reconciliation and had "screened out" in the calculation of the rate.

* Comment 7

Non-Personal Service Costs

Vehicle and Equipment Costs

As auditors observed during their time at the Delanson site, upkeep of the grounds in such a rural and unclaimed environment is demanding. As the old adage asserts, "for every job there is a proper tool". So too in rural settings. We are particularly disappointed that the auditors assert a disallowance associated with certain pieces of equipment after the detail of explanation provided at the exit conference when we understood the team had come to better understand the need for two separate pieces of equipment - - the one smaller "lawn tractor" used exclusively for mowing; and the larger tractor used for heavier equipment jobs and tasks such as moving gravel, moving

* Comment 8

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snow piles, clearing tree limbs, inserting fencing posts and the like. Upon inspection, it is clear that the tractor is not designed to mow the lawn.

Moreover, purchase of the tractor is clearly more cost effective than engaging independent contractors to perform the tasks identified above (especially since the labor costs which would be associated with such an engagement are already included in the Maintenance Supervisor's salary) or renting the equipment on an "as needed" basis (comparably quoted at $150 - $185 per day). Clearly, the need is constant and persistent. Accordingly, the costs associated with the 2009 tractor be restored as necessary and reasonable ($3,358).

* Comment 9

WPP also challenges the auditors' suggestion that the need to complement existing resources with contracted services, for example, snow removal, somehow reflects a lack of need for the tractor. Understandably, upstate New York winter storms create an immediate and unpredictable need for snow removal and ice treatment - - a need which exists at four separate locations at the same exact time. Clearly, additional snow removal capacity was warranted to assure all sites were accessible to students at the beginning of the school day.

* Comments 5, 9

Contractor Services

WPP challenges the auditors' finding that $3,798 of costs associated with "snow removal, landscaping, painting, among other" activities are not reimbursable because the "work could have been done by the Maintenance Supervisor". As refuted above, these time sensitive activities either conflicted with other equally pressing responsibilities of the Maintenance Supervisor or were logistically impossible to accomplish without additional resources. WPP shared several examples of these time sensitive projects with the auditors, such as the need to repaint the entire interior of one site location to meet OCFS facility requirements - - a project which could only be completed when the students were not on-site.

* Comment 10

WPP takes special exception to the auditors' assertion that "better allocations of work assignments could result in the Maintenance Supervisor being more available for his stated job duties". As described in great detail, the Maintenance Supervisor's vast list of general facility-based responsibilities extends to four sites - - each a 30-40 minute commute. In an effort to maximize utilization of existing personnel, WPP allowed the Maintenance Supervisor to actually "multi-task" - - to deliver necessary paperwork, mail and supplies among and between the several sites when traveling to those sites to engage in maintenance and facility based activities. Rather than applaud this extremely cost effective utilization of existing personnel resources, the auditors suggest WPP "outsource" to a courier service. Costs for "courier services" three-four (3-4) times per week to site locations in Cobleskill and Amsterdam range from $45-$75 per courier packet per trip. By WPP estimates, the multi-tasking approach employed by WPP produced a cost-savings of approximately $10,000.

* Comments 5, 11

Accordingly, the auditors' statement should be deleted and all costs associated with the Maintenance Supervisor should be restored.

* Comments 5, 10, 11

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Eligible, Reasonable, Adequately Documented Costs

Late fees

WPP challenges the auditors' finding that certain costs associated with late fees are not reasonable. As auditors may be aware, 4410 programs often experience serious delays in funding for reasons beyond their control including delays in certification of the reimbursement methodology, certification of rates by the Division of Budget and county payments. Many of these fees are singularly a result of payment delays for accounts receivable from counties as payors in the first instance for 120-160 days past due. Accordingly, we request restoration of that portion of the stated $3,053 attributed to late fees. *Comment 12

Associated Costs

WPP clarifies for the auditors that costs identified as ineligible, unreasonable and inadequately documented costs were "screened out" by RSU during the rate reconciliation process and should be reflected accordingly in the Draft Report. *Comment 13

WPP also reminds the auditors that WPP has provided supporting documents (invoices) in the aggregate amount of $2,822.69 which auditors may have not reviewed, sufficient to restore that specific allowance. *Comment 14

Other Non-Reimbursable Costs

WPP also reminds the auditors that of the $25,644 of interest costs determined to be non-reimbursablem $16,651 had previously been disallowed by NYSED in the calculation of rates. We request OSC acknowledgment of this and similar NYSED disallowances and, accordingly, adjustment to the findings. *Comment 13

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We appreciate the opportunity to share our comments.

GREENBERG TRAURIG, LLP

Very truly yours,

Pamela Madeiros

PAM/kac
Enclosures
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New York State Education Department

Adjustment Entry Sheet

Go to
Menu

To Begin
Enter Report Year, then Search option, then FIND Providers

:eport Year 1011 ▼ Report Type S

Search SCHENECTADY ▼ Find Provid

Provider WHISPERING PINES PRESCHOOL [redacted] ▼ Find Progra

ᵖrogram 9135 PRESCHOOL-SPECIAL ED ITINERANT TCHR ▼ Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CALC	220	251	U	5549-	0	[redacted]
	ADJ TO RECLASSIFY EXPENSE FROM NONDIRECT CARE TO DIRECT CARE								
	BOTH	BASE	CALC	320	251	U	5549+	0	[redacted]
	ADJ TO RECLASSIFY EXPENSE FROM NONDIRECT CARE TO DIRECT CARE								
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	

TRADJ

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New York State Education Department

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:eport Year 1011 Report Type S

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Provider WHISPERING PINES PRESCHOOL [redacted] — Find Progra

›rogram 9160 PRESCH-INTGRTD SPEC CLS OVER 2.5 HRS — Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CFR1	16010	200	U	15665-	0	[redacted]
	Adj per RCM/Comm Regs - non-reimbursable expense item								
	BOTH	BASE	CFR4	102	299	U	25898-	0	[redacted]
	Expense Adj. ADJUST TO REG. AVG SALARY								
	BOTH	BASE	CFR4	215	299	U	71539-	1.1730-	[redacted]
	Expense Adj.RECLASSIFY POSITION								
	BOTH	BASE	CFR4	225	299	U	2762-	0	[redacted]
	Expense Adj.ADJUST TO REG. AVG.SALARY								
	BOTH	BASE	CFR4	518	299	U	71539+	1.1730+	[redacted]
	Expense Adj.RECLASSIFY POSITION								
	PROSP	BASE	CFR1	20010	130	U	5058+	0	[redacted]
	Adj to increase non-disabled rev to OCFS day care level								

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Provider WHISPERING PINES PRESCHOOL [redacted] ▾ Find Progra

ʾrogram 9165 PRESCHOOL-INTGRTD SPEC CLASS 2.5 HRS ▾ Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CFR1	16010	200	U	876-	0	[redacted]
	Adj per RCM/Comm Regs - non-reimbursable expense item								
	BOTH	BASE	CFR4	102	299	U	1942-	0	[redacted]
	Expense Adj. ADJUST TO REG. AVG SALARY								
	BOTH	BASE	CFR4	215	299	U	19619-	.3140-	[redacted]
	Expense Adj.RECLASSIFY POSITION								
	BOTH	BASE	CFR4	518	299	U	19619+	.3140+	[redacted]
	Expense Adj.RECLASSIFY POSITION								
	PROSP	RATE	CFR1	22100	510	U	397-	0	[redacted]
	Adj to remove offsetting teacher grant rev. from prosp rate								
				0	0		0	0	

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:eport Year 1112 Report Type S Enter Report Year, then Search option, then FIND Providers

Search SCHENECTADY Find Provid

Provider WHISPERING PINES PRESCHOOL [redacted] Find Progra

›rogram 9135 PRESCHOOL-SPECIAL ED ITINERANT TCHR Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CALC	220	251	U	2474-	0	[redacted]
	ADJ TO RECLASSIFY EXPENSE FROM NONDIRECT CARE TO DIRECT CARE								
	BOTH	BASE	CALC	320	251	U	2474+	0	[redacted]
	ADJ TO RECLASSIFY EXPENSE FROM NONDIRECT CARE TO DIRECT CARE								
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	

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Search SCHENECTADY ▾ Find Provid

Provider WHISPERING PINES PRESCHOOL [redacted] ▾ Find Progra

Program 9160 PRESCH-INTGRTD SPEC CLS OVER 2.5 HRS ▾ Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CFR1	16010	200	U	10169-	0	[redacted]
	Non-allowable rent expense per CFR reporting.								
	PROSP	BASE	CFR1	20010	130	W	7693+	0	[redacted]
	Adj to increase non-disabled rev to OCFS day care level								
	PROSP	RATE	CFR1	22100	510	U	3513-	0	[redacted]
	Adj to remove offsetting teacher grant rev. from prosp rate								
	RECON	BASE	CFR1	20010	130	W	4441+	0	[redacted]
	Adj to increase non-disabled rev to OCFS day care level								
				0	0		0	0	
				0	0		0	0	

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Provider WHISPERING PINES PRESCHOOL [redacted] ▾ Find Progra

Program 9165 PRESCHOOL-INTGRTD SPEC CLASS 2.5 HRS ▾ Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CFR1	16010	200	U	569-	0	[redacted]
	Non-allowable rent expense per CFR reporting.								
	PROSP	RATE	CFR1	22100	510	U	879-	0	[redacted]
	Adj to remove offsetting teacher grant rev. from prosp rate								
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	

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Report Year 1213 Report Type S

Search SCHENECTADY — Find Provid

Provider WHISPERING PINES PRESCHOOL [redacted] — Find Progra

Program 9135 PRESCHOOL-SPECIAL ED ITINERANT TCHR — Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CALC	220	251	U	2440-	0	[redacted]
	ADJ TO RECLASSIFY SEIT travel costs from NDC to DC								
	BOTH	BASE	CALC	320	251	U	2440+	0	[redacted]
	ADJ TO RECLASSIFY SEIT travel costs from NDC to DC								
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	
				0	0		0	0	

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'rogram 9160 PRESCH-INTGRTD SPEC CLS OVER 2.5 HRS ▼ Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CFR1	16010	200	U	22764-	0	[redacted]
	non-reimbursable rent expense								
	BOTH	BASE	CFR4	218	299	U	13845-	.3050-	[redacted]
	Expense Adj. reclassify position ptc 218 to 224								
	BOTH	BASE	CFR4	224	299	U	13845+	.3050+	[redacted]
	Expense Adj. reclassify position ptc 218 to 224								
	PROSP	RATE	CFR1	22100	510	U	3448-	0	[redacted]
	Adj to remove offsetting teacher grant rev. from prosp rate								
				0	0		0	0	
				0	0		0	0	

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Program 9165 PRESCHOOL-INTGRTD SPEC CLASS 2.5 HRS Find Data

Act	Rate Type	Adj Yr	Form	Adj ID	Reas Code	CRE	Dollar Data	FTE	Acct ID
	BOTH	BASE	CFR1	16010	200	U	1945-	0	[redacted]
	non-reimbursable rent expense								
	BOTH	BASE	CFR4	218	299	U	1603-	.0350-	[redacted]
	Expense Adj. reclassify position ptc 218 to 224								
	BOTH	BASE	CFR4	224	299	U	1603+	.0350+	[redacted]
	Expense Adj. reclassify position ptc 218 to 224								
	PROSP	RATE	CFR1	22100	510	U	944-	0	[redacted]
	Adj to remove offsetting teacher grant rev. from prosp rate								
				0	0		0	0	
				0	0		0	0	

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Tuition Rate Analysis

Menu

Rate Year 1213 Rate Type Recon BUDGET NA - Not Applicable

Search MY PROVIDERS — Find Provider

Provider WHISPERING PINES PRESCHOOL [redacted] — Find Program

Programs 9165 PRESCHOOL-INTGRTD SPEC CLASS 2.5 HRS — Find Data

Version CURR - Current rate record Rpt Year 1213 Rpt Type S Mode Inquiry

Rate Flag Note

Rate Data	Waiver	Dollars	Per Diem
Total Non-Direct Costs		102,948	77.58
Total Direct Care Costs		263,756	198.76
Median Adjustments		0	0
Offsetting Revenues		41,504-	31.27-
Gross Costs		325,200	245.0641
Nondirect Care Cost Screen		0	0
Total Cost Screen Max Growth		65,281-	195.8700+
Reimbursable Dollars		259,919	195.8700
Recon Adjustment		0	
Recon Adjustment (for prosp-base yrs recon)		0	0
Final Reimburseable Dollars w/recon adj		259,919+	195.8700+
Final per Diem			195.8700+

Tuition Data	Tuition Rate	Session Days	Rate
	2 Month	30	5,876
	10 Month	180	35,257
		1/2 hour session rate	0

Growth Factor used to determine Total Cost Session

Reconciliation - one year factor | Prospective - two year factor | Prior per diem used for calculation

Enrollment data	F.T.E.	Care Days
2 Month	9.182	275
10 Month	5.842	1,052

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Tuition Rate Analysis

Menu

Rate Year 1213 Rate Type Recon BUDGET NA - Not Applicable

Search MY PROVIDERS Find Provider

Provider WHISPERING PINES PRESCHOOL [redacted] Find Program

Programs 9160 PRESCH-INTGRTD SPEC CLS OVER 2.5 HRS Find Data

Version CURR - Current rate record Rpt Year 1213 Rpt Type S Mode Inquiry

Rate Flag Note

Rate Data	Waiver	Dollars	Per Diem
Total Non-Direct Costs		726,503	63.58
Total Direct Care Costs		1,870,642	163.72
Median Adjustments		0	0
Offsetting Revenues		99,189-	8.68-
Gross Costs		2,497,956	218.6203
Nondirect Care Cost Screen		0	0
Total Cost Screen Max Growth		251,718-	196.5900+
Reimbursable Dollars		2,246,237	196.5900
Recon Adjustment		0	
Recon Adjustment (for prosp-base yrs recon)		0	0
Final Reimburseable Dollars w/recon adj		2,246,237+	196.5900+
Final per Diem			196.5900+

Tuition Data	Tuition Rate	Session Days	Rate
	2 Month	30	5,898
	10 Month	180	35,386
		1/2 hour session rate	0

Growth Factor used to determine Total Cost Session

Reconciliation - one year factor Prospective - two year factor Prior per diem used for calculation

Enrollment data	F.T.E.	Care Days
2 Month	56.766	1,703
10 Month	54.017	9,723

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Tuition Rate Analysis

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Rate Year 1213 ▾ Rate Type Recon ▾ BUDGET NA - Not Applicable

Search MY PROVIDERS ▾ Find Provider

Provider WHISPERING PINES PRESCHOOL [redacted] ▾ Find Program

Programs 9135 PRESCHOOL-SPECIAL ED ITINERANT TCHR ▾ Find Data

Version CURR - Current rate record ▾ Rpt Year 1213 Rpt Type S Mode Inquiry

Rate Flag ▾ Note

Rate Data	Waiver	Dollars	Per Diem
Total Non-Direct Costs		14,517	6.69
Total Direct Care Costs		53,615	24.71
Median Adjustments		0	0
Offsetting Revenues		0	0
Gross Costs		68,132	31.3972
Nondirect Care Cost Screen		0	0
Total Cost Screen Max Growth		9,368-	27.0800+
Reimbursable Dollars		58,763	27.0800
Recon Adjustment		0	
Recon Adjustment (for prosp-base yrs recon)		0	0
Final Reimburseable Dollars w/recon adj		58,763+	27.0800+
Final per Diem			27.0800+

Tuition Data	Tuition Rate	Session Days	Rate
	2 Month	30	0
	10 Month	180	0
		1/2 hour session rate	27.00

Growth Factor used to determine Total Cost Session

Reconciliation - one year factor Prospective - two year factor Prior per diem used for calculation

Enrollment data		F.T.E.	Care Days
	2 Month	5.000	0
	10 Month	30.000	0

State Comptroller's Comments

1. We did not misconstrue or misapply principles of the RCM. As detailed in our report and State Comptroller's Comments, we appropriately applied the provisions of the RCM to determine whether costs reported by Whispering Pines were allowable. Also, in its response to the draft audit report, SED agreed with our recommendations pertaining to the proposed disallowances that we identified.
2. Although SED did not disallow a particular cost based on a desk review and/or its cost screens, that cost can still be disallowed upon a post-audit of the requisite supporting documents. Hence, although SED did not disallow a certain portion of the Maintenance Supervisor's compensation for the 2011-12 year, that did not constitute SED's "express acknowledgement of the appropriateness" of such costs. More specifically, to determine the allowable (and unallowable) compensation costs for the Maintenance Supervisor for 2011-12, we properly applied the guidance established in the RCM in conjunction with SED's comparative regional salary data for that year.
3. The auditors did not substitute their judgment for that of SED's Rate Setting Unit. Also, see State Comptroller's Comment 2.
4. We question how Whispering Pines can definitively state that the auditors' determination of excessive compensation was flawed – and, at the same time, contend that the exact formulae used by auditors to determine such compensation was unclear. Moreover, during the course of the audit, we provided Whispering Pines officials with the formulae we used to assess compensation for the 2011-12 year.
5. Whispering Pines' comments are misleading. In fact, during the audit period, Whispering Pines had three site locations (not four). Moreover, the fact that Whispering Pines had three locations does not necessarily mean the Maintenance Supervisor was required to do threefold the work of a supervisor responsible for one facility. A range of factors, including the size, age, use, and condition of a facility, can impact the amount of maintenance required. Further, we note that exterior maintenance for Whispering Pines' Amsterdam site was handled, at least in part, by a third party, and we allowed the payments Whispering Pines made to this party and reported for rate reimbursement.
6. "Reason" (or what is considered reasonable) can vary significantly among multiple parties. Moreover, as part of its standard rate-setting process, SED uses CFR data to determine average regional salary levels and the corresponding compensation that can be allowable for CFR purposes. We applied the same RCM principles as SED in determining the Maintenance Supervisor's reimbursable compensation. Further, based on the information provided in Whispering Pines' response, the assertion that many of the Maintenance Supervisor's duties require the technical skills of a licensed tradesman is speculative.
7. On page 6 of the report, we clearly note that SED had already disallowed (or "screened out") $33,666 of the total amount we recommended for disallowance.
8. Whispering Pines' assertion is incorrect. In fact, auditors at the Delanson location made no assessment of how "demanding" the upkeep of the grounds was at that site. Further, given Whispering Pines' contracted snow removal costs (which were allowed) and the relative infrequency with which the newer tractor was used, we determined that the related costs were not reasonable and necessary.

9. In fact, Whispering Pines did employ independent contractors to perform certain maintenance services (including snow removal), and we allowed the costs Whispering Pines reported on the CFR for those services. Also, as detailed in our report, the "lawn tractor" has a front loader and can be used for multiple purposes, including snow and debris removal. Moreover, as also detailed in the report, Whispering Pines acquired the newer tractor (at least in part) to relieve a family relation of the associated financial burden. Under these circumstances, we maintain that the costs in question were not reasonable and necessary, and therefore, such costs were not eligible for reimbursement.
10. Our report does not disallow $3,798 for "snow removal, landscaping, painting, among other" activities. In fact, the disallowance pertains primarily to miscellaneous yard work (costing $3,295), with some minor payments (totaling $503) for painting, cleaning, and moving school supplies – duties that could have been performed by the Maintenance Supervisor. Thus, we allowed the costs for snow plowing/removal and other "time sensitive projects," including floor restoration and roof repair. Also, there is no disallowance for costs to paint the entire interior of any Whispering Pines facility.
11. Whispering Pines' comment is incorrect. In fact, our report does not state or otherwise imply that Whispering Pines should "outsource" to a courier service. Further, we question why the Maintenance Supervisor's courier duties would significantly detract from his standard maintenance responsibilities. More to the point, while performing his maintenance responsibilities at multiple Whispering Pines sites, the Maintenance Supervisor could have discharged courier duties as well.
12. As stated on page 10 of the report, Whispering Pines extended a non-interest-bearing advance to its Director, which ranged (during the audit period) from $91,000 to a high of $172,000 on June 30, 2012. The advance, which the Director used to pay personal expenses, was ostensibly an interest-free loan with no written terms of repayment. We therefore maintain that the $3,053 in late fees and finance and interest charges that Whispering Pines incurred (due, in considerable part, to the advance to the Director) were neither reasonable nor necessary.
13. We acknowledge that SED "screened out" or disallowed certain costs prior to our audit. Further, our report details those instances in which SED disallowed costs prior to audit.
14. We have reviewed all supporting documents provided by Whispering Pines in support of its reported costs. Our reported disallowances reflect our consideration of all information provided.