New York State Comptroller
THOMAS P. DiNAPOLI

Quality Services for the Autism Community – Compliance With the Reimbursable Cost Manual

State Education Department

Report 2018-S-8 | **December 2019**

Spotlight on Education

Audit Highlights

Objective

To determine whether the costs reported by Quality Services for the Autism Community (QSAC) on its Consolidated Fiscal Report (CFR) were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the State Education Department's (SED) Reimbursable Cost Manual (RCM). The audit included expenses claimed on QSAC's CFR for the fiscal year ended June 30, 2015.

About the Program

QSAC is a New York City- and Long Island-based non-profit organization that supports children and adults with autism. QSAC's administrative office for all programs is located in Manhattan. QSAC was established in 1978 and is approved by SED to provide Preschool Special Education (SC) and Special Education Itinerant Teacher (SEIT) program services to children with autism between three and five years of age. Both the SC and SEIT programs are located in Douglaston, Queens. For the fiscal year ended June 30, 2015, QSAC served 164 students, which consisted of 140 in SC and 32 in SEIT, with 8 children enrolled in both Programs. QSAC has 13 SC classrooms attended by children from various school districts in New York City's five boroughs and Long Island.

For the fiscal year ended June 30, 2015, QSAC received $3.7 million in State funding for the cost-based SC and SEIT programs. The cost for the Office for People With Developmental Disabilities was $49 million, or 85 percent of QSAC's total cost of $57.6 million. The remaining $4.9 million is the cost of other fee-based programs such as Special Education Teacher Support Services and Early Intervention. SED has issued the RCM to provide guidance on the eligibility of costs and documentation requirements.

Key Findings

For the fiscal year ended June 30, 2015, we identified $128,294 in reported costs that did not comply with the RCM's requirements for reimbursement. The ineligible costs included $111,791 in personal service costs for 107 direct care employees and 34 administration employees, and $16,503 in other than personal service (OTPS) costs (see Exhibit at the end of the report).

Personal Services

- We disallowed a total of $58,183, consisting of $52,016 for 15 employees because documentation to support their administrative functions was lacking, $4,419 for 4 employees because hours were not documented by attendance records, and $1,748 for 20 employees who are not qualified to work above 1.0 full-time equivalent (FTE) per RCM rules.
- We reviewed hours of employees who worked for the SC and the SEIT programs as well as other non-SED programs to determine the accuracy of the allocation of their salaries to the two SED programs. Based on our review of relevant time studies and documentation

for the allocation of time for employees who worked on programs other than SC and SEIT, we disallowed a total of $41,180, which consisted of $15,230 for a Program Director, $10,603 for the time of the Director of Clinical Services, $5,054 for direct hours not documented, $3,232 for a direct maintenance employee, $2,640 for a social worker, $1,911 for non-documented hours, $1,302 for maintenance workers, $1,026 for the Director of Training, and $182 for an unsubstantiated increase in an employee's salary.

- We disallowed a total of $12,428 in non-mandated fringe benefits because the benefits were not proportionately similar or available to all QSAC employees in compliance with RCM rules.

Other Than Personal Services

We disallowed a total of $16,503 in OTPS costs consisting of:

- $11,607 in rent, which consisted of $8,582 in direct rent and $3,025 in administration rent because QSAC did not claim the actual rent only; instead, it claimed actual rent and added deferred rent.
- $2,699, which consisted of $2,075 for depreciation charged to SC and $624 for administration depreciation expenses. QSAC did not provide sufficient documentation, such as invoices, bank statements, or canceled checks issued to vendors to support the cost and payment of the disallowed expenses.
- $510 in advertising expenses and $781 in direct expenses, for a total of $1,291, due to insufficient documentation and incorrect allocation to the two SED programs.
- We reviewed 64 expenses totaling $29,481 in administration dues and subscriptions and identified expenses totaling $7,677 that were not sufficiently documented to substantiate the expense related to the SED programs. We used the 6.575 percent ratio to allocate these expenses to the SC and SEIT programs and disallowed $505.
- According to the RCM, administration food expenses are not allowed. QSAC charged 70 administrative food transactions totaling $6,101. We disallowed $401 that related to the SED programs.

Key Recommendations

To SED:

- Review the recommended disallowances resulting from our audit and make the appropriate adjustments to QSAC's CFR and reimbursement rates, as warranted.

- Work with QSAC officials to help ensure their compliance with the provisions in the RCM.

To QSAC:

- Ensure that costs reported on future CFRs comply with the requirements in the RCM.

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

December 31, 2019

Ms. Shannon Tahoe
Interim Commissioner
State Education Department
State Education Building – Room 125
89 Washington Avenue
Albany, NY 12234

Ms. Lisa Veglia
Executive Director
Quality Services for the Autism Community
253 West 35th Street
New York, NY 10001

Dear Ms. Tahoe and Ms. Veglia:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently. By so doing, it provides accountability for tax dollars spent to support government-funded services and 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 Quality Services for the Autism Community 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,

Division of State Government Accountability

Contents

Glossary of Terms

Term	Description	Identifier
CFR	Consolidated Fiscal Report	*Key Term*
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	*Policy*
EI	Early Intervention	*Key Term*
FTE	Full-time equivalent	*Key Term*
OPWDD	Office for People With Developmental Disabilities	*Agency*
OTPS	Other than personal service	*Key Term*
QSAC	Quality Services for the Autism Community	*Service Provider*
RCM	Reimbursable Cost Manual	*Policy*
SC	Preschool Special Education	*Key Term*
SED	State Education Department	*Auditee*
SEIT	Special Education Itinerant Teacher	*Key Term*
SETSS	Special Education Teacher Support Services	*Key Term*

Background

Quality Services for the Autism Community (QSAC) is a New York City- and Long Island-based non-profit organization that supports children and adults with autism. QSAC's administrative office for all programs is located in Manhattan. QSAC was established in 1978 and is approved by the State Education Department (SED) to provide Preschool Special Education (SC) and Special Education Itinerant Teacher (SEIT) program services to children with autism between three and five years of age. Both the SC and SEIT programs are located in Douglaston, Queens.

For the fiscal year ended June 30, 2015, QSAC served 164 students, which consisted of 140 in SC and 32 in SEIT, with 8 children enrolled in both programs. QSAC has 13 SC classrooms attended by children from different school districts in New York City's five boroughs and Long Island.

For the fiscal year ended June 30, 2015, QSAC received $3.7 million in State funding for the cost-based SC and SEIT programs. The cost for the Office for People With Developmental Disabilities (OPWDD) was $49 million, or 85 percent of QSAC's total cost of $57.6 million. The remaining $4.9 million is the cost of other fee-based programs such as Special Education Teacher Support Services (SETSS) and Early Intervention (EI).

To qualify for reimbursement, QSAC's expenses, as reported on its annual Consolidated Fiscal Reports (CFRs), must comply with the criteria in SED's Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual), which provide 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 and entities.

Audit Findings and Recommendations

We audited expenses in two special education programs – SC and SEIT – identified on the CFR as program 9100 and 9135, respectively. These expenses were either direct (expenses charged directly to the programs) or indirect (administration expenses). The latter are expenses allocated to all programs, including special education, based on a verified ratio calculated on the CFR. Either type of expenses could be personal service costs or other than personal service (OTPS) costs. The ratio to allocate indirect/administration expenses to the SC program is 5.735 percent, and 0.84 percent for the SEIT program, with a total of 6.575 percent for both programs.

For the fiscal year ended June 30, 2015, we identified $128,294 in reported costs that did not comply with the RCM's requirements for reimbursement. The ineligible costs included $111,791 in personal service costs for 107 direct care employees and 34 administration employees, and $16,503 in OTPS costs.

Personal Service Costs

The total recommended disallowance for personal services based on the ratio for the SC and SEIT programs is $111,791, which includes $90,889 in overpayments to direct care employees and $20,902 for agency-wide administration staff, whose salaries are allocated to programs based on a ratio value.

According to the RCM, 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 CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). All claimed costs must comply with applicable provisions of the RCM. Further, the RCM states that costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the education programs, and sufficiently documented.

For the fiscal year July 1, 2014 through June 30, 2015, we examined the payments received by employees working directly in the SC and SEIT programs under audit. We examined the employees' offer letters/applications, time sheets, and salary authorizations. We also reviewed the salaries of administrative and management personnel and the accuracy of the allocation of their salaries to both programs. We reviewed the non-mandated fringe benefits for direct care employees, such as teachers, and non-direct employees, such as administrative employees, including management and executives. We examined those benefits to ensure compliance with the RCM with regard to accuracy and being proportionately similar among all employees, including management.

Administrative Employees

We reviewed administration employees' hours by examining time sheets, work schedules, and payroll records, and determined that there were hours claimed on the CFR that were not sufficiently substantiated by QSAC. Additionally, QSAC did not transfer the correct worked hours to its CFR. QSAC stated that these employees worked outside their normal work locations to attend conferences, meetings, and training. However, insufficient documentation was provided for these unaccounted-for hours. We disallowed $4,419, the SC and SEIT programs' share of the disallowed hours.

We reviewed the job descriptions for 13 administrative employees and inquired about their work product. QSAC provided documents, specifically eight emails for 7 of the 13 employees. The emails covered only seven days of the school year, did not mention the programs covered by the task/activity, or were dated after June 30, 2015 – the end of the school year. The lack of documentation resulted in a recommended disallowance of $48,778 of the salary expense of $741,872 for the SED programs' share of the administrative costs claimed by QSAC on the CFR.

QSAC also claimed the salaries of two employees who worked at OPWDD locations. QSAC officials stated these employees performed administrative tasks, but did not provide adequate documentation to substantiate their designation as agency administration.

We disallowed $3,238 for the SC and SEIT programs' share of the amount of $49,241 paid to the two employees. We determined that their salaries should have been charged entirely to the OPWDD program.

According to the RCM, compensation beyond 1.0 full-time equivalent (FTE) is not reimbursable for non-direct salaried employees. However, when we reviewed the employees' total hours worked, we determined that five salaried non-direct employees worked and were paid for more than 1.0 FTE for an amount of $105. Hourly non-direct employees are allowed to work beyond their normal hours, but only with a supervisor's authorization. We determined that 15 employees worked more than the authorized hours without a supervisor's authorization. They were paid $1,644. As a result, we disallowed $1,748 for the 20 employees.

Direct Care Hours

We reviewed hours for employees who worked for the SC and SEIT programs as well as other non-SED programs to determine the accuracy of the allocation of their salaries to the two SED programs. We reviewed time sheets, hours allocated to SC and SEIT programs, and time studies. Based on our review, we disallowed a total of $41,180, as follows:

- QSAC allocated a Program Director's hours between the SC program in the Douglaston location and an SED school-age program in Whitestone, based on allocation rates of 96 percent and 4 percent, respectively. However, when we reviewed the time study for the Program Director, including cost centers reflecting the number of hours allocated to both locations, we determined that the SC allocation should be 77 percent, with 23 percent for the school-age program. Based on our allocation, we disallowed $15,230.
- Based on our review of time studies, we determined that the allocation of the Director of Clinical Services' salary to the SEIT program was less than QSAC's allocation, and disallowed $10,603.
- We also reviewed the time records of 18 direct care employees and disallowed $5,054 for hours not supported by QSAC.
- QSAC allocated the entire salary of a housekeeping and maintenance employee at the Douglaston location to the SC program. However, there are two other programs at the location (SETSS and EI) that benefited from this service, and the employee's salary should have been allocated to them as well. We used the square footage to reallocate the salary of the employee, and the disallowance is $3,232.
- We disallowed $2,640 of the salary of a social worker for 57 hours because QSAC did not provide records showing that these hours were related to the SC program.
- We disallowed $1,911 for non-documented hours.
- QSAC allocated the salaries of 21 maintenance employees equally over 33 locations, including the SED location at Douglaston, with a share of $20,080. QSAC then allocated the entire amount to the SC program, and none to the other three programs (SEIT, SETSS, and EI). However, according to our calculation, based on square footage, the SEIT and SC programs' allocation should have been $18,778, with the remainder for the other two programs. Therefore, we disallowed the difference of $1,302.
- We disallowed $1,026 of the salary of the Director of Training for 48 hours because QSAC did not provide records showing that these hours were related to the SC program.
- We also determined that one employee received a raise without

documentation to support the increase (i.e., change form). As a result, we calculated a disallowance of $182 from April 5, 2015 to the end of fiscal year in June 30, 2015.

Administration Non-Mandated Fringe Benefits

- QSAC paid two types of non-mandated fringe benefits to only directors and executives above and beyond benefits available for the rest of QSAC employees.

  - The first type was long-term care. The employee handbook defines the eligible class as: "all active employees with titles of director and above with at least 10 years of service as of June 1, 2008 and all retired employees who retired with titles of director and above with at least 10 years of service as of June 1, 2008 and their qualifying dependents." After review, we found that QSAC claimed $36,034 for the cost of this fringe benefit for six executives. We determined that the long-term care was not proportionately similar because it was not available to all employees. We disallowed $2,369, the SC and SEIT share of these expenses.

  - The second type was supplemental life insurance paid to cover four of the six executives for short-term disability, cancer, and accident care for an amount of $7,605. As the supplemental insurance was exclusively paid for executives and not available to the rest of the employees, this expense is non-allowable. We disallowed $500, the SC and SEIT share.

- QSAC's SETSS and EI employees enrolled in health insurance are required to pay a portion of the cost of the benefit plan they chose by completing the QSAC benefits enrollment form, which authorizes a deduction from their payroll representing the employees' contribution portion. However, when we reviewed the contribution portion for 34 employees, we found that the contribution for an executive was not deducted from his salary and was fully paid by QSAC. In addition, the same employee was also enrolled in life insurance, dental, and short- and long-term disability, and the employee portion was not deducted. We disallowed $251 for non-allowable costs, based on the SC and SEIT share. QSAC indicated that an agreement between the employee and QSAC's Board of Directors required he be granted this benefit. We determined that the agreement did not comply with the RCM and should not have been reported on the CFR.

- QSAC claimed $161,036 for 44 employees who participated in the retirement plan 403(b). QSAC calculated the cost of retirement matching funds for employees based on the plan matching criteria, which divided employees into three categories. The first category is union employees who are teacher assistants/aides and custodians. QSAC matches up to a 1 percent contribution of the employee's salary, in accordance with union contract terms, for employees who were 21 years of age as of June 30, 2014 and had one year of service. The second category is non-union employees for whom the combination of their age and number of years of service is less than 54 (age plus years of service). QSAC matches up to 3 percent. The third category is for non-union employees whose combination of age and years of service is equal to or more than 54 years. These employees receive twice their contributions, up to 12 percent. The matching would be for salaries up to $260,000. Based on our review of QSAC's matching criteria, we determined that the retirement fringe benefits did not meet the requirement of being proportionately similar in their application to all employees, because employees did not get the same matching from QSAC. Therefore, we determined the policy to be not in compliance with the RCM. To make the plan proportionately similar, we applied a 3 percent match to all 44 employees. As a result, we disallowed $9,308, consisting of $6,466 for administration, $324 for SC, and $2,518 for SEIT employees.

Other Than Personal Service Costs

According to the RCM, costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the fiscal year ended June 30, 2015, QSAC reported a total of $3.7 million in OTPS expenses to the SED cost-based programs.

We reviewed 307 charges/payments consisting of 56 charges totaling $214,532 related to the 9100 program and 23 charges totaling $9,056 directly related to the 9135 program, and the amount of $661,884 for 228 charges under administration. Our review of OTPS charges determined that 182 charges/payments totaling $16,503 should be disallowed.

The $16,503 includes $7,542 for expenses charged to SC, $3,896 for expenses charged to SEIT, and $5,065 for expenses charged to agency administration, allocated to SC and SEIT based on a ratio value.

The disallowed amount of $16,503 is detailed as follows, per category of expenses.

Advertising Expenses

We reviewed 57 transactions in advertising expenses, totaling $51,741, by examining invoices, credit card statements, job postings, and job vacancy bulletins. We disallowed $7,749 in administration expenses, and, when allocated to the SED cost-based programs, the amount would be $510. We also disallowed $781 in directly allocated expenses to the two programs for a total of $1,291 due to insufficient documentation, such as support for the relevance of the expenses to the special education programs or incorrect allocation of expenses to SED programs.

Rent Expenses

On the CFR, QSAC claimed $186,281 to SC and $5,174 to SEIT at the Douglaston site, where the SED program services are performed. In addition, it charged $562,800, the cost of agency administration at three locations – West 35th Street in Manhattan, 110 Jericho Turnpike in Floral Park, and 25-09 Broadway in Long Island City – for a total rent expense of $754,255.

We reviewed all 77 transactions in rent expenses by examining lease agreements, floor plans, general ledgers, and canceled checks for rent payments. QSAC used the total cost in the lease and divided it by the number of years according to the lease's terms in order to arrive at an equal amount of rent per year (deferred rent). Because the rent amount increases from one year to the next, the rent expense for the year under audit was not actual paid rent. We disallowed $11,607 for the difference between actual and deferred rent and the square footage allocation for administration and direct rent in the fiscal year ended June 30, 2015. This amount is divided as follows.

Direct Rent Cost

These rent expenses are directly allocated to SED programs at the Douglaston location. QSAC provides services for four programs at this location: SC, SEIT, SETSS, and EI. The rent expense should be allocated to these programs based on the square footage occupied by each program. To determine the accuracy of square footage allocated to the two audited programs, SC and SEIT, we measured and recalculated the amount of space occupied by these programs. We agreed with QSAC's 90 percent square footage allocation to the SC program. However, based on our measurement, we determined that the SEIT program's share of the entire space at Douglaston should be 0.78 percent, instead of the 2.5 percent allocation used by QSAC. QSAC used the actual and deferred rent amount of $206,979 and allocated 90 percent to the SC program, for the amount of $186,281. We calculated actual rent to be $201,447, and 90 percent would be $181,302. We disallowed the difference of $4,979.

For SEIT, QSAC also used the same amount of deferred and actual rent – $206,979 – to calculate the SEIT share of the rent using 2.5 percent, or $5,174. Based on our square footage calculation and using 0.78 percent of the actual rent of $201,447 – $1,571 – we disallowed the difference of $3,603. The total disallowance for direct rent expenses is $8,582.

Administration Rent

QSAC used the actual and deferred rent to calculate SC's and SEIT's share of administration rent, of the total administration rent amount of $562,800. We determined that the actual rent should be $516,797. We disallowed the difference of $46,003, then allocated it to the two programs. After adjusting for the SED cost-based program, we disallowed $3,025.

Direct Depreciation Cost

We reviewed four depreciation expenses for building/land improvements charged to SC totaling $5,785. We disallowed $2,075 because of insufficient documentation, such as missing invoices and proof of purchase. The allocation to the SC program was either inaccurate or did not apply. For example, QSAC allocated depreciation to the SC program at the Whitestone location, where no SC service was rendered. QSAC also allocated the entire cost of an asset (camera) at the Douglaston location, instead of 90 percent based on square footage.

Administration Depreciation Costs

On the CFR, QSAC allocated $13,911 for 12 depreciation charges to administration depreciation expenses. We reviewed the 12 transactions, and we disallowed 5 depreciation charges totaling $9,491. After applying the SED cost-based program's share, we disallowed $624 because QSAC officials did not provide invoices, bank statements, or canceled checks issued to vendors to support the cost and payment of the disallowed expenses.

Administration Food Expenses

According to the RCM, administration food expenses are not allowed. QSAC charged 70 transactions, totaling $6,101 in administration food expenses. Therefore, we disallowed the SC and SEIT portion of $401.

Administration Dues and Subscription

We reviewed 64 expenses totaling $29,481 in administration dues and subscriptions and disallowed 27 expenses totaling $7,677 because of insufficient documentation to substantiate the expense relation to the SED programs or because the costs should have been allocated to OPWDD. After applying the SED cost-based share, we disallowed $505.

Recommendations

To SED:

1. Review the recommended disallowances resulting from our audit, and make the appropriate adjustments to QSAC's CFR and reimbursement rates, as warranted.
2. Work with QSAC officials to help ensure their compliance with the provisions in the RCM.

To QSAC:

3. Ensure that costs reported on future CFRs comply with the requirements in the RCM and communicate with SED to obtain clarification, as needed.

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether the costs reported by QSAC on its CFR were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the RCM. Our audit covered the fiscal year ended June 30, 2015.

To accomplish our objective, we reviewed the RCM, the CFR Manual, QSAC's CFR, and relevant financial records for the audit period. We interviewed QSAC officials and staff to obtain an understanding of their financial and business practices. We also reviewed QSAC's personnel files and student files. In addition, we assessed a judgmental sample of reported costs to determine whether they were supported, program related, and reimbursable. The sampling took into account the relative materiality and risk of the various costs reported by QSAC. We selected samples and reviewed payroll records, attendance, and personnel records for staff working in the SC and SEIT programs, as well as for administrative personnel and executive top management. We also reviewed the accuracy and the proportionate application of fringe benefits for SC, SEIT, and administration, in accordance with the RCM. We selected most transactions in several categories of expenses for review, and excluded immaterial transactions in the year ended June 30, 2015.

The sample methodology for any transactions selected was not designed to be projected to the entire population of reported costs. During our fieldwork, we issued preliminary findings to QSAC's management and reviewed their responses to consider whether to adjust our findings or conclusions.

Our review of QSAC's internal controls focused on the controls over QSAC's preparation of expenses to be claimed on the CFR and necessary controls to ensure accurate and proper allocation of expenses to the SED programs and compliance with the RCM.

Statutory Requirements

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 Education Law.

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.

Reporting Requirements

We provided a draft copy of this report to QSAC and SED officials for their review and formal comment. Their comments were considered in preparing this final report and are included in their entirety at the end of the report. QSAC provided additional documents that are not included because they contain confidential information.

In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. QSAC officials disagreed with the recommended disallowances for agency administrative employees and certain direct care employees because, in their opinion, they were in compliance with the RCM and provided sufficient documentation for all the personal service costs reviewed by the auditors. We reviewed the 422 pages of documents provided as part of the response to our draft report and revised the recommended disallowance for direct care personal services. Our responses to certain QSAC comments are included in the report's State Comptroller's Comments.

Within 180 days of the 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 if the recommendations were not implemented, the reasons why.

Exhibit

Quality Services for the Autism Community
Summary of Submitted and Disallowed Costs
for the Fiscal Year Ending June 30, 2015

Program Cost	Amount per CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	$2,901,933	$90,889	$2,811,044	A, B, E-J
Agency Administration	315,227	20,902	294,325	A, B, E-J
Total Personal Services	**$3,217,160**	**$111,791**	**$3,105,369**	
Other Than Personal Services				
Direct Care	$371,448	$11,438	$360,010	A-D, I
Agency Administration	123,895	5,065	118,830	A-D, I
Total Other Than Personal Services	**$495,343**	**$16,503**	**$478,840**	
Totals	**$3,712,503**	**$128,294**	**$3,584,209**	

Notes to Exhibit

The following Notes refer to specific sections of SED's RCM 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 QSAC officials during the course of our audit.

A. Section I.3.A – Schools must be able to demonstrate that sufficient internal controls exist for the protection of school assets.

B. Section II – Costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Such reimbursable costs will be included in the calculation of tuition rates up to any limits or cost parameters approved annually in the rate setting methodology.

C. Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.

D. Section II.22.D – Food costs will not be reimbursed for special education itinerant programs, unless required by the student's IEP as instructional supply.

E. Section II.13 – 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 CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries).

F. Section III.1.A – Compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed by the employee and a supervisor and must be completed at least monthly.

G. Section II.13.A.4.(d) – For non-direct care staff under the 500 and 600 position title code series, per Appendix R of the CFR Manual, compensation must be supported by time and effort reports or equivalent documentation.

H. Section III.1.M.1.(i) – Salaries of employees who perform tasks for more than one program and/or entity must be allocated among all programs and/or entities for which they work.

I. Section III.1.M.2 – Entities operating programs must use allocation methods that are fair and reasonable, as determined by the Commissioner's fiscal representatives. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year for review upon audit for a minimum of seven years. Allocation percentages should be reviewed on an annual basis and adjusted as necessary.

J. 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. Documentation for all allocation methods (bases and percentages) must be retained for a minimum of seven years.

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

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
O: 518.473-4706
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October 24, 2019

Ms. Carmen Maldonado
Audit Director
Division of State Government Accountability
NYS Office of the State Comptroller
59 Maiden Lane, 21st Floor
New York, NY 10038

Dear Ms. Maldonado:

The following is the New York State Education Department's (SED) response to the draft audit report, 2018-S-8, Quality Services for the Autism Community (QSAC) - Compliance with the Reimbursable Cost Manual.

Recommendation 1:

"Review the recommended disallowances of $135,126 resulting from our audit and, if warranted, make the appropriate adjustments to the costs reported on QSAC's CFRs and to QSAC's tuition reimbursement rates."

We agree with this recommendation. SED 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:

"Work with QSAC officials to help ensure their compliance with the provisions in the Manual for those areas of disallowances."

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend the QSAC officials avail themselves of our assistance to help them better understand the rules for cost reporting and criteria for cost reimbursement as presented in the CFR, Regulation and the Reimbursable Cost Manual (RCM). Furthermore, SED will alert QSAC of online CFR training that is available on SED's webpage. SED recommends that all individuals signing the CFR certification statements, namely the Executive Director and Certified Public Accountant, complete this training. This training is a requirement for preschool special education providers upon approval and reapproval.

If you have any questions regarding this response, please contact Brian Zawistowski, Assistant Director, at (518) 474-3227.

Sincerely,

Sharon Cates-Williams

Sharon Cates-Williams
Deputy Commissioner

c: Phyllis Morris
Christopher Suriano
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James Kampf

QSAC
Quality Services for the Autism Community
Serving New York City and Long Island

October 24, 2019

Ms. Carmen Maldonado
Audit Director
Office of the State Controller
Division of State Government Accountability
59 Maiden Lane – 21st Floor
New York, NY 10038

Re: QSAC Response to the draft audit report 2018-S-8

Dear Ms. Maldonado:

Overall it has been a pleasure working with the audit team. The only outstanding items for which QSAC disputes are the following from the final draft audit sent to QSAC on September 26th, 2019:

1) Section: Personal Service Costs - Administrative Employees page10

OSC Findings and Recommendations

We reviewed the job descriptions for 13 administrative employees and inquired about their work product. QSAC provided documents, specifically eight emails from 7 of the 13 employees. The emails covered only seven days of the school year, did not mention the programs covered by the task/ activity, or were dated after June 30, 2015 – the end of the school year. The lack of documentation resulted in a recommended disallowance of $48,778 of the salary expense of $741,872 for the SED program's share of the administrative costs claimed by QSAC on the CFR.

QSAC also claimed the salaries of two employees who worked at OPWDD locations. QSAC officials stated these employees performed administrative tasks, but did not provide adequate documentation to substantiate their designation as agency administration.

QSAC Response

We disagree with the disallowance of $47,942 of the $48,778 SED portion of the Agency Administrative cost of $741,872, which reflects the ratio value of 6.575%.

Comment 1

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The title of the 13 employees in question are inherently agency administrative position titles; ie, Deputy Executive Director, Director of IT, Director of Administration and their support staff all of whom are in the 600 CFR position title codes. These functions benefit the entire agency and need to be allocated utilizing ratio value. The fact that some QSAC staff were located at sites other than our administrative offices does not change the nature of the services that they are providing, and we affirm that they were correctly charged during the audit period as agency administration costs. As discussed, and as the OSC is aware, the main principle of agency administration is that it represents and includes the costs associated with the functions that are related to the overall administration of all agency programs, or that support functions for the agency, and not a single program. This typically includes the executive staff, administrative staff, human resources, information technology (IT) and all accounting functions.

To reiterate, "Agency Administration" positions are defined by the RCM (Reimbursement Cost Manual) Section II item 9 as "positions not directly related to ***a specific program*** but are attributable to the overall operation of the agency". Therefore, the 13 employees in Agency Administration positions are allocated to programs using ratio value as per the RCM and CFR Manual's required allocation methodology for agency administrative expenses. We have previously provided the OSC with copies of the job descriptions for the staff included in this finding. Their titles and the job descriptions clearly demonstrated the agency administrative functions they are responsible for, and how they are correctly reported as agency administration.

We still however, provided the OSC with additional work products, demonstrating that during the audit period these employees in fact worked in an administrative capacity to support the overall operation of the agency. We have attached additional documentation as well.

2) Section: Personal Service Costs - Direct Care Hours page 11

OSC Findings and Recommendations

QSAC allocated a Program Director's hours between the SC program in the Douglaston location and an SED school – age program in Whitestone, based on allocation rates of 96 percent and 4 percent respectively. However, when we reviewed the time study for the Program Director, including cost centers reflecting the number of hours allocated to both locations, we determined that the SC allocation should be 77 percent, with 23 percent for school-age program. Based on our allocation, we disallowed $22,062.

QSAC Response

As previously indicated, QSAC disagrees with the application of the fourth quarter time study being applied to the entire fiscal year for the Director of Preschool. As we explained when we initially provided the information regarding the Preschool Program Director's hours, she worked 100% of the time in the Preschool from 7/1/14 to 5/2/15. Effective 5/3/15 (fourth quarter) she started to work part of the time in the QSAC school age program, for which we provided you with the time study that indicated 77% Preschool and 23% School effective 5/3/15. Since this time study was effective 5/3/15 through the end of the fiscal year 6/30/15 her total allocation for the entire fiscal year (7/1/14 to 6/30/15)

Comment 2

was 94% Preschool, 6% School, making the disallowance $2,570 not $22,063. Attached is additional documentation supporting the Directors time worked at the Preschool.

Please let us know if you have questions or need additional information regarding our responses and/or the supporting documents.

Thank you.

Sincerely,

Lisa Veglia, M.P.A, LCSW, SAS
Chief Executive Officer

State Comptroller's Comments

1. We fully understand that agency administrative employees' functions benefit the entire agency and are allocated using ratio value. However, the fact that these costs are not directly related to a program should not be interpreted to mean that they do not have to be sufficiently documented. The documentation provided during the fieldwork and in response to the draft report does not support a change to the recommended disallowance in the report.

2. We reviewed the documentation provided in response to our draft report and revised the recommended disallowance for the Program Director from $22,062 to $15,230. However, no further changes were warranted because the documentation did not support that the Program Director spent 94 percent of the time on the preschool program from July 1, 2014 to May 2, 2015. In fact, the documents were for only 44 of the 128 days, or 34 percent, versus the 94 percent reported by QSAC. Moreover, for the period when 77 percent was reported, we received documents for 13 of the 56 days, or 23 percent.

Contributors to Report

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