

THOMAS P. DINAPOLI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

January 31, 2020

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

Dr. Christopher McDonough  
Executive Director  
Behavior Analysts of New York, LLC  
81 Pondfield Road  
Bronxville, NY 10708

Re: Compliance With the Reimbursable  
Cost Manual  
Report 2019-S-35

Dear Ms. Tahoe and Dr. McDonough:

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, we conducted an audit of the expenses for the reporting period ending June 30, 2015 submitted by Behavior Analysts of New York, LLC (BANY) to the State Education Department (SED) for purposes of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments.

**Background**

BANY is an SED-approved, for-profit special education provider located in Westchester County that provides preschool special education services to children with developmental disabilities who are between three and five years of age. During the July 1, 2014–June 30, 2015 reporting period, BANY's Preschool Special Education Itinerant Teacher Services program (Program) provided special education services to 18 students from 12 school districts in Westchester County.

The counties that use provider special education services, such as the services offered by BANY, pay tuition to providers using tuition reimbursement rates set by SED for

each provider. The State, in turn, reimburses the counties 59.5 percent of the tuition amount paid. SED sets the reimbursement rates for providers based on financial information, including costs, that providers report on the annual Consolidated Fiscal Report (CFR) they submit to SED. Costs reported on the CFR must fully comply with SED's Reimbursable Cost Manual (RCM) regarding eligibility and documentation requirements and with the reporting requirements in SED's Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the reporting year ended June 30, 2015, BANY reported \$245,613 in reimbursable costs for the Program on its CFR.

## **Results of the Audit**

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. Additional requirements apply to some costs, such as personal service costs. For BANY's reporting year ended June 30, 2015, we identified costs reported for the Program that did not comply with the RCM's requirements for reimbursement. After calculating the portion of these costs that did not comply with applicable requirements, we recommend that SED disallow \$2,082, including \$1,134 in personal service costs and \$948 in other than personal service costs.

### ***Personal Service Costs***

The RCM requires that compensation costs be based on approved, documented payrolls that are supported by employee time records. For the reporting period ended June 30, 2015, BANY reported \$195,324 in Program-related personal service costs and related fringe benefits on its CFR. Of this amount, we identified \$1,134 (\$1,020 in wages and \$114 in fringe benefits) for which available time records supported a lower amount than was reported on the CFR, that was not supported by the employee time records provided, or for which BANY could not provide supporting time records, and that is therefore not eligible for reimbursement. The \$1,134 is broken down as follows:

- \$919 (\$825 in salaries and \$94 in fringe benefits) paid to three employees for hours in excess of those reported in the payroll records provided; and
- \$215 (\$195 in salaries and \$20 in fringe benefits) paid to an employee for whom BANY could not provide supporting time records for the amount paid.

BANY's Executive Director attributed these findings to human error.

### ***Other Than Personal Service Costs***

#### ***Undocumented or Inadequately Documented Costs***

The RCM requires that costs reported on the CFR be adequately documented to be considered for reimbursement. All purchases must be supported by invoices listing the items purchased, date of purchase, and date of payment. The particular program(s) must be identified on invoices or associated documents. We found that BANY either could not provide supporting documentation or had insufficient documentation for \$466 in reported

costs, which are therefore not eligible for reimbursement. The \$466 is broken down as follows:

- \$126 for audit services;
- \$114 for vehicle insurance;
- \$90 for staff development;
- \$53 for phone expenses; and
- \$83 in other costs.

For example, the vehicle insurance documentation provided did not specify the vehicles covered by the policy or the cost per vehicle. Without this information, we were unable to determine whether the claimed amount was reimbursable. BANY personnel were unable to locate documentation to support the remaining \$352 noted above.

#### *Non-Program-Related Expenses*

According to the RCM, costs will be considered for reimbursement if they are reasonable, necessary, and directly related to the education Program. Costs that can't be charged directly to a specific program must be allocated across all programs and/or entities that benefit from the cost. BANY's practice is to allocate these costs based on relative size or based on hours of effort in each program. We found that BANY reported \$482 in expenses on its CFR that were not directly related to the Program and/or were not reasonable and are therefore not eligible for reimbursement. The \$482 is broken down as follows:

- \$281 for non-Program-related costs that BANY incorrectly included in a group of costs that it allocated among various programs, including the Program whose reported costs we audited. This included \$178 in professional license fees for an employee who did not work in the Program during the reporting year ended June 30, 2015 and \$103 for educational materials not related to the Program;
- \$109 for tax preparation software that was not Program related; and
- \$92 for fees related to late credit card payments, which we considered neither Program related nor reasonable.

#### **Recommendations**

##### **To SED:**

1. Review the disallowances identified by our audit and, if warranted, make the necessary adjustments to the costs reported on BANY's CFR and to BANY's tuition reimbursement rates.
2. Remind BANY officials of the pertinent SED guidelines that relate to the deficiencies we identified.

## **To BANY:**

3. Ensure that all costs reported on annual CFRs fully comply with SED requirements, and communicate with SED to obtain clarification as needed.
4. Take steps to improve record keeping and documentation to support related costs reported on annual CFRs.

### **Audit Scope, Objective, and Methodology**

We audited the costs that BANY reported on its CFR for the reporting year ended June 30, 2015. 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 and assess internal controls related to our objective, we reviewed the RCM that applied to the year we examined as well as the CFR Manual and related appendices. We also interviewed SED officials to obtain an understanding of the policies and procedures contained in the RCM and the CFR Manual. We reviewed BANY's CFR for the reporting period ending June 30, 2015; its methodology for allocating reported costs; and relevant financial records that supported those costs. We evaluated BANY's internal controls as they related to costs reported on the CFR, which included reviewing its financial policies and procedures. In addition, we selected judgmental samples of reported costs, considering risks such as properly allocating costs among programs and between direct and non-direct categories, to determine whether they were supported, Program related, and reimbursable. Our samples were not designed to be projected, and we did not project them, to the entire population of reported costs.

BANY's Executive Director did not make himself available either in person or by phone to discuss either the methods used to arrive at reported costs or our audit findings, resulting in our communicating exclusively by email. This, along with the often-adversarial approach taken by the Executive Director in these communications, negatively affected the quality of our mutual communication and inhibited our ability to resolve any misunderstandings. BANY did not provide a response to our report of preliminary findings.

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 that provides 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. Additionally, 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.

### **Reporting Requirements**

We provided a draft copy of this report to SED and BANY officials for their review and formal written response. We considered their responses in preparing this report and have included them in their entirety at the end of the report. SED officials agreed with the audit recommendations and indicated that they will review the recommended disallowances and take any necessary action that is appropriate. BANY's Executive Director, Dr. McDonough, provided a response, but did not address the two recommendations in the draft report.

Within 180 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and if the recommendations were not implemented, the reasons why.

Major contributors to this report were Sharon Salembier, Laurie Burns, Kathleen Hotaling, Nolan Lewis, and Norris Wilson.

We thank the management and staff of SED and BANY for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Brian Reilly, CFE, CGFM  
Audit Director

cc: Sharon Cates-Williams, State Education Department  
James Kampf, State Education Department  
Traci Coleman, State Education Department  
Phyllis Morris, State Education Department  
Brian Zawistowski, State Education Department

# 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  
O: 518.473-4706  
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December 23, 2019

Mr. Brian Reilly  
Audit Director  
Division of State Government Accountability  
NYS Office of the State Comptroller  
110 State Street – 11th Floor  
Albany, NY 12236

Dear Mr. Reilly:

The following is the New York State Education Department's (SED) response to the draft audit report, 2019-S-35, Behavior Analysts of New York, LLC (BANY) - Compliance With the Reimbursable Cost Manual.

Recommendation 1:

"Review the disallowances identified by our audit and, if warranted, make the necessary adjustments to the costs reported on BANY's CFR and to BANY'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:

"Remind BANY 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 BANY's 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 BANY 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 of the Rate Setting Unit, at (518) 474-3227.

Sincerely,



**Deputy Commissioner**

Sharon Cates-Williams

c: Phyllis Morris  
Christopher Suriano  
Suzanne Bolling  
Traci Coleman  
Brian Zawistowski  
James Kampf

# Agency Comments - Behavior Analysts of New York, LLC



December 16, 2019

Brian Reilly  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street - 11<sup>th</sup> Floor  
Albany, NY 12236-0001

Mr. Reilly:

I found the process followed by the audit team on their way to releasing this draft report to be at best flawed and at worst unethical. In particular, the preliminary report dated September 26, 2019 (“Report 1”) should never have been released to NYSED since the audit team had virtually all of the documents and information needed to write the preliminary report dated October 25, 2019 (“Report 2”) several weeks before Report 1 was released. The differences between Report 1 and Report 2 are unmistakable, striking, and by and large they cannot be attributed to any additional information that I provided to the audit team, nor can they be attributed to “errors of fact” based upon “findings”.

[Comment 1](#)

These differences and my questions regarding the audit process are as follows. I ask that you answer my questions in writing and incorporate your answers as part of this public record.

1. The scope of this audit engagement was to determine if the preschool SEIT costs and data submitted by BANY on its 2014-2015 CFR were allowable according to certain criteria (e.g., the CFR Manual and the RCM), calculated accurately, and adequately documented. To that end, I set up a Dropbox folder and shared access to that folder with the audit team. I placed requested documents in that Dropbox folder for the audit team to review. Audit team members asked me questions (via e-mail) and I answered their questions (via e-mail); the audit team asked me for additional supporting documents and with only one exception, my personal tax returns, I provided those documents.

In the Section of your report titled “Audit Scope, Objective, and Methodology” you write that *“BANY’s Executive Director did not make himself available either in person or by phone to discuss either the methods used to arrive at reported costs or our audit findings, resulting in our communicating exclusively by email”*.

This is not accurate. On May 30, 2019 I wrote in an e-mail to the audit team that we should *“minimize phone contact”*, and with respect to meeting in person on August 1, 2019 I wrote in an e-mail to the audit team that if I couldn’t provide the information the audit team needed to complete this audit engagement by placing documents in Dropbox and answering questions in writing, *“I’d be happy to revisit the idea of meeting with you”*. However, since this audit was about documents, methods, policies and procedures from several years ago, it is true that I saw little value in talking on the phone and meeting in person with the audit team. Had we talked on the phone and met in person, I still would have had to provide your audit team with the documentation I provided, but I also would have had to allocate time to speaking on the phone and meeting in

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person with the audit team. Since the audit objectives were met without having to do that, we saved time.

What I did not anticipate was that the audit team would hold this against me and use it as a pretext for not answering my questions, which in turn was used as justification for false claims made in Report 1. To be very clear, Report 1 resulted from negligent or perhaps even unethical auditing work done by your audit team, not from a lack of my in-person availability.

2. Some other reasons for corresponding through e-mail (and Dropbox) instead of by phone or in person are as follows:
  - a. I have misgivings about the trustworthiness of NYS Government (“Albany”), of which you and your team are representatives. This should surprise no one. Quoting again from my May 30, 2019 e-mail to Laurie Burns and Sharon Salembier, *“E-mail is preferred because it helps keep things transparent, which will help to allay some of my concerns about your organization’s ability to conduct this audit independently and without the bias that has colored all of the contact we’ve had with NYSED with regards to our SEIT program.”*
  - b. Written correspondence helps to balance the inherent power inequities between us. I have no political power and my resources are infinitesimal compared to yours. When your audit team wanted to have an opening teleconference with me I said I wasn’t comfortable with that, and when they wanted me to be available for a week in August so they could come down and conduct interviews as part of their “audit process”, I said that if we can’t do everything we need to do via e-mail we can revisit the issue. If there was a legal requirement for me to be part of an opening teleconference or to meet with your audit team in person someone on your team should have said so. If there is not a legal requirement it is wrong for you to hold my uneasiness with parts of your process against me.
  - c. Written correspondence allows me to work at a time and in a place that is most convenient for me.
3. In the Section of your report titled “Audit Scope, Objective, and Methodology”, you go on to write, *“This, along with the often adversarial approach taken by the Executive Director in these communications, negatively affected the quality of our mutual communication and inhibited our ability to resolve any misunderstandings.”*
  - a) Regarding your characterization of my approach as “adversarial”: if asking questions and advocating for transparency, accountability and intellectual honesty makes me your adversary then, yes, I am your adversary. Please just keep in mind that we are not on equal footing- I’m one person with no political power, who must continue running a business while you work for Albany and this is your full-time job.
  - b) Considering that this audit was primarily about documentation, it’s difficult to understand how written correspondence would “inhibit” our communication, unless there were things that you wanted to or should have communicated to me but were unwilling to put in writing. In fact, in your email to me on November 11, 2019 you acknowledged this when you wrote *“Your concerns and questions to date could likely have been cordially and effectively resolved if you had made yourself available for mutual, reasonable communication with audit team members, either in person or by phone.”*

Question 1: Why is it that you will answer important questions on the phone or in person but not in writing?

4. Report 1 says, “we reviewed costs” and “identified \$28,896 in ineligible costs”, and it recommends that NYSED disallow \$17,178. However, Report 2 recommends that NYSED disallow only \$2,082. In between Report 1 and Report 2 I provided only a few hundred dollars in additional supporting documentation, yet the recommended disallowance dropped by over \$15,000 and “ineligible costs” dropped by nearly \$27,000 (93%).

Question 2: Given that Report 1 was almost completely wrong, what auditing criteria and standards were used by your audit team to determine its “findings” in Report 1?

You might recall that on December 4, 2019 I sent you a message asking you to “please send me whatever policies and procedures your division adhered to during this audit to ensure a quality standard was met.” I asked for the information because, as I said in the e-mail, “I need to review the policies and procedures adhered to by the audit team during this audit in order to try to answer the questions that I’ve asked you repeatedly (listed again below) and which you have refused to answer. If there is some reason why I cannot see the policies and procedures, despite your offices commitment to transparency and accountability, please give me those reasons.” You did not send me that information nor did you answer me.

5. The \$17,178 you incorrectly recommended the RSU disallow from BANY in Report 1 is *almost identical* to the amount the RSU tried to disallow from us in 2013-2014 (\$17,400) for different but equally invalid reasons. The RSU contact that you listed from the outset of this engagement is Mr. James Kampf, who was directly involved in the RSU effort to disallow expenses from us in 2013-2014. Given this history, at the outset of this engagement, I requested that Mr. Kampf not be your RSU contact during this audit. Your team did not honor this request, which only served to deepen my misgivings about the trustworthiness of this process.

Question 3: Did your audit team collaborate with or communicate about the preparation of Report 1 with Mr. Kampf?

6. Not only was Report 1 almost completely wrong, it uses prejudicial language to describe “findings”.

Examples from Report 1:

- a. In the Personal Services section, in reference to benefits, Report 1 says,  
“BANY officials did not report fringe benefits paid on behalf of employee recipients in accordance with federal regulations (IRS)”

Note that the audit team didn’t say, “we couldn’t verify”, they said, “BANY failed to report”. This is seriously problematic given that the audit team had all of the documents they needed to make the correct assessment regarding this expense well before this “finding”. What takes this from negligent auditing work to something unethical is what you said when I asked you about it. You said that my response to Report 1 “helped clarify the facts about this matter and illustrates one of

*the reasons that preliminary reports are helpful*" (quoting from your e-mail to me on November 13, 2019).

Preliminary reports that are tethered to the facts might be helpful, but Report 1 was untethered. In other words, Report 1 was a sham. Consider this: the audit team took the time to reference IRS publication 525 regarding the valuation rule but didn't take the time to ensure that what they were asserting about it was even correct.

Presumably, if I did not respond to Report 1, you would have gone on to publish the "findings" in Report 1 as your final draft, release it to the public, and claim that I, not you, are accountable for the report's contents because I didn't correct your "errors of fact".

Furthermore, you said that my *"concerns and questions to date could likely have been cordially and effectively resolved"* if I had made myself available for *"mutual, reasonable communication with audit team members, either in person or by phone"* (again, quoting from your e-mail to me on November 13, 2019). On September 4, 2019 your audit team sent a document to me (via e-mail) with a list of "additional questions". This was 3 weeks before Report 1 was released to me and NYSED. One of the questions was a request for my personal tax returns. The audit team said these were needed to verify that fringe benefits were taxed as ordinary income. However, the audit team did not need my personal tax returns to verify this- they already had in their possession all of the documents needed to verify this. Therefore, on September 6, in my reply, in reference to the documentation I had already provided to the audit team, I asked *"Why is this not enough evidence?"* The audit team never answered my question and three weeks later they released Report 1 with the false statement that *"BANY officials did not report fringe benefits paid on behalf of employee recipients in accordance with federal regulations (IRS)"*

Question 4: Was my question, *"Why is this not enough evidence?"* not answered because the question was put to the audit team in writing?

- b. In the Other Than Personal Services section, regarding "unsupported" OTPS expenses, Report 1 says, *"In most cases, we found there either was no documentation to support the expense or the documentation provided lacked sufficient detail for auditors to make a determination as to the reimbursement eligibility of the expense."* It goes on to say that *"BANY improperly allocated \$6,567 in unsupported OTPS costs to the Program and may have been improperly reimbursed \$1,948 for these costs."*

Contrast those remarks in Report 1 with what the auditors say in the same section of Report 2: *"BANY did not have supporting documentation or had insufficient documentation for \$466 in reported costs."*

Part of the problem is that in Report 1 the audit team was attempting to disallow costs that were never charged to NYSED, as would have been clear to the audit team had they "reviewed the costs" submitted on the CFR. For example, they attempted to "disallow" \$1,859 in automobile insurance even though only \$114 in automobile insurance was allocated on the CFR to the NYSED program.

Question 5: How can the OSC recommend disallowing an amount greater than the expense allocated to the NYSED program?

Perhaps this resulted from the inappropriate practice of creating a “*raw disallowance*”. A “raw disallowance”, as used by your audit team, entails applying the audit criteria (e.g., the RCM and CFR Manual) to expenses that are *beyond the scope of the audit engagement*.

Question 6: In what way does a “raw disallowance” that includes expenses beyond the scope of the audit engagement conform with Generally Accepted Government Accounting Standards?

If going beyond the scope of engagement isn’t bad enough, the audit team didn’t even apply the criteria outlined in the RCM and CFR Manual correctly. For example, The OSC audit team attempted to “re-allocate” the cost of the SEIT program’s administrative office from a SEIT program expense to an agency administration cost and then, as a result of the “re-allocation”, disallow the rent expense. When asked what CFR Manual or RCM standard they were referencing in their effort the audit team simply said it was because the office expense was “indirect”. But the word “indirect” by itself means nothing. I pointed out that CFR Manual Page:13.11 states that “*the expense associated with program/site and/or program administration*” goes on line 49 of CFR-1, which is precisely where it was in our CFR. Subsequently, the auditors dropped their effort to “re-allocate” and disallow the office rent.

7. There are differences in the opening paragraph of both Report 1 and Report 2, which is the page addressed to me and the Director of the Rate Setting Unit of the NYSED. The first paragraph of Report 2 has the following language which does not appear in Report 1:

*“Although written preliminary findings are not required by the Government Auditing Standards to which we ascribe, we routinely provide them as a means of encouraging and maintaining transparency and an open dialogue throughout the audit process. Another purpose of written preliminary findings is to give our audited entities, or the parties responsible for the information we’re auditing, an opportunity to correct any potential errors of fact. We ask you to review this information carefully, in particular to ensure that you have provided information that you believe we should consider in formulating our audit conclusions. These preliminary findings are not intended for external release, are not released to the public by our office, and are subject to modification based on any additional information or documentation supplied to us in response to our conclusions.”* (emphasis added).

Question 7: Why wasn’t this language in Report 1?

8. Report 2 is watermarked with “For Internal Use Only”, whereas Report 1 is not.

Question 8: Why wasn’t Report 1 watermarked with “For Internal Use Only”?

9. On ten different occasions across September, October, and November 2019 I asked specific questions *-in writing via e-mail-* about the methods used to inform Report 1, as well as questions regarding the “payroll confirmation letter” the audit team sent to teachers who work for BANY, a

letter which went beyond the scope of the audit engagement. To date no one has answered these questions. This speaks directly to what it means to encourage and maintain, to use your words *"transparency and an open dialogue throughout the audit process"*. As I wrote to Ms. Burns on October 8, *"issuing a revised preliminary report doesn't absolve you of accountability for the report that you already released"*. My questions regarding Report 1 are encapsulated in the questions asked above but you have not answered my questions regarding the "payroll confirmation letter" so I am asking those questions again here.

Question 9: Several of your questions in the "payroll confirmation letter" are beyond the scope of your audit as it was described in the Engagement Letter dated May 13, 2019. For example, on page 2 of the "payroll confirmation letter", #2, you ask "on average, how many hours do you currently work per week for BANY?" , and on page 2, #5 you ask "How often does Dr. McDonough observe you in student sessions?". My question for you is this: in light of the fact that I asked if you'd audit the current fiscal year and you said you would not, why are you asking teachers who work for BANY questions that have nothing to do with SEIT expenses reported on BANYs CFR for 2014-2015?

Question 10: Who wrote the questions on page 2 of the "payroll confirmation letter"? The letter is signed by Ms. Hotaling, but did she write them or did individuals from outside of the OSC - for example from NYSED- draft the questions in whole or in part?

Question 11: Are the questions on page 2 of the "payroll confirmation letter" standard for all audits conducted by the OSC of SEIT providers, and if not, please clarify why nonstandard practices were used in this OCS audit?

I look forward to your answers to these questions.

Sincerely,



Chris McDonough, Ph.D., SDA, LBA, BCBA-D  
Managing Member

## State Comptroller's Comment

1. A key purpose of written preliminary findings is to give relevant parties an opportunity to correct any errors of fact; to provide additional information, if relevant; and/or to clarify information that may affect the audit team's conclusions. Generally, audit team members discuss preliminary findings in person with the relevant parties prior to issuing a written version of these findings. Parties to whom the preliminary report is addressed have 14 days to provide a written response to the findings. After considering the response and any additional information provided, as well as any other guidance that might affect their conclusions, the audit team communicates any changes to its conclusions through means such as in-person or remote meetings or through issuing a revised preliminary report.

In this case, Dr. McDonough preferred to correspond in writing. As such, we first conveyed our preliminary findings report to both SED and BANY via email on September 26, 2019, as is our normal process. These findings concluded that \$17,178 in costs reported by BANY on its CFR were not allowable under the RCM. Subsequently, we revisited information previously provided by Dr. McDonough, obtained input from other OSC audit team members, and considered the September 29, 2019 email from Dr. McDonough in which he challenged our conclusions about these costs, and agreed that the costs were allowable. We then re-issued a preliminary report that presented our revised conclusions, with the intent to communicate these conclusions and to provide information to BANY that would more closely align with the draft report that would be issued at the conclusion of the audit. We note that Dr. McDonough did not dispute the revised conclusions, which appeared in the draft report and this final report.

Throughout the audit, the audit team followed Generally Accepted Government Auditing Standards (GAGAS). Revising a previously communicated conclusion – as reflected in the revised preliminary report – is consistent with those standards.