



New York State Comptroller
THOMAS P. DiNAPOLI

Field of Dreams, Inc. – Compliance With the Reimbursable Cost Manual

State Education Department

Report 2022-S-2 | October 2022

Spotlight on Education



Audit Highlights

Objective

To determine whether the costs reported by Field of Dreams, Inc. (FOD) 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) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). The audit covered the costs submitted by FOD to SED on its CFRs for the fiscal year ended June 30, 2019 and certain expenses for the fiscal year ended June 30, 2018.

About the Program

FOD is an SED-approved, for-profit special education provider located in Slate Hill, serving students from Orange and Ulster counties. FOD provides special education services to children with disabilities who are between the ages of 3 and 5 years. FOD is reimbursed for these services through rates set by SED. The reimbursement rates are based on financial information, including costs that FOD reports to SED on its annual CFR. To be eligible for reimbursement, reported costs must comply with RCM requirements. For the 2 fiscal years ended June 30, 2019, FOD reported approximately \$2.4 million in reimbursable costs on its CFRs for two rate-based special education programs that it operated: Preschool Special Class – over 2.5 hours per day and Preschool Integrated Special Class – over 2.5 hours per day (collectively referred to as the Programs).

Key Findings

For the 2 fiscal years ended June 30, 2019, we identified \$172,121 in ineligible costs reported by FOD on its CFRs for the Programs. The ineligible costs included:

- \$96,052 in personal service costs, consisting of \$71,197 in executive compensation that was in excess of the allowable median rate and \$24,855 in related-party salaries without supporting work documentation.
- \$76,069 in other than personal service costs, consisting of \$43,574 in ineligible costs, \$30,995 in insufficiently documented costs, and \$1,500 in incorrectly allocated expenses.

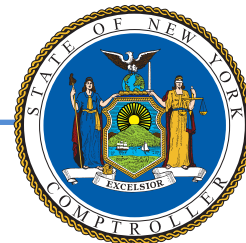
Key Recommendations

To SED:

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

To FOD:

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



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

October 26, 2022

Betty A. Rosa, Ed.D.
Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Deirdre Post
Director
Field of Dreams, Inc.
181 Guinea Hill Road
Slate Hill, NY 10973

Dear Dr. Rosa and Ms. Post:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the 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 Field of Dreams, Inc. to the State Education Department for the purpose of establishing the preschool special education tuition reimbursement rates 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,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
SED	State Education Department	<i>Auditee</i>
CFR	Consolidated Fiscal Report	<i>Key Term</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
FOD	Field of Dreams, Inc.	<i>Service Provider</i>
OTPS	Other than personal service	<i>Key Term</i>
Programs	Preschool Special Class – over 2.5 hours per day and Preschool Integrated Special Class – over 2.5 hours per day	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>

Background

Field of Dreams, Inc. (FOD) is a for-profit special education provider located in Slate Hill, serving students from Orange and Ulster counties. FOD is authorized by the State Education Department (SED) to provide preschool special education services to children with disabilities who are between the ages of 3 to 5 years. During our audit period, FOD operated two rate-based preschool special education programs for about 70 children: Preschool Special Class – over 2.5 hours per day and Preschool Integrated Special Class – over 2.5 hours per day (collectively referred to as the Programs).

The counties that use FOD preschool special education services pay tuition to FOD using school year reimbursement rates set by SED. The State, in turn, reimburses the county 59.5% of the tuition paid. SED sets the special education tuition rates based on financial information, including costs, that FOD reports to SED on its annual Consolidated Fiscal Report (CFR). Costs reported on the CFR must comply fully with the guidelines in SED's Reimbursable Cost Manual (RCM) regarding eligibility of costs and documentation requirements and must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the 2 fiscal years ended June 30, 2019, FOD reported approximately \$2.4 million in reimbursable costs for the Programs.

Audit Findings and Recommendations

According to the RCM, costs reported on the CFR are considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the 2 fiscal years ended June 30, 2019, we identified \$172,121 in costs that FOD reported on its CFRs that did not comply with SED's requirements for reimbursement. The ineligible costs include \$96,052 in personal service costs and \$76,069 in other than personal service (OTPS) costs. A summary of ineligible costs is presented in the Exhibit at the end of this report.

Personal Service Costs

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the provider'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). For the 2 fiscal years ended June 30, 2019, FOD reported \$1.58 million in personal service costs charged to the Programs. We identified \$96,052 in personal service costs that were not allowable under SED's reimbursement requirements.

Median Salary Adjustment

According to the RCM, compensation (i.e., salaries plus fringe benefits) for the Assistant Executive Director will be directly compared to the regional median compensation for a comparable administration job title of public school districts, as determined and published annually by SED's Basic Educational Data System. Reimbursement of employee compensation for this job title shall not exceed the median compensation paid to comparable personnel in public schools for similar work and hours of employment in the region in which the entity is located. As such, the compensation for an Assistant Executive Director will be compared to the median Assistant Superintendent compensation for the region in which the entity is located. For the 2 fiscal years ended June 30, 2019, FOD compensated its Assistant Executive Director \$78,105 in excess of the regional compensation limit for this position, of which \$71,197 was charged to the Programs. SED disallowed \$19,297 for excess median salary compensation for the fiscal year ended 2018 as part of its adjustments.

Unsupported Salaries

The RCM states that compensation to all individuals who have a financial interest in the program, including shareholders, trustees, board members, officers, family members, or others, and who are also program employees must be commensurate to actual services provided as appropriately qualified program employees or consultants and shall not include any distribution of earnings in excess of reimbursable compensation. Additionally, the RCM states 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. FOD employed the owners' five children in salaried roles. Since they were salaried, their hours worked were not documented to support the actual services provided. For the fiscal year ended June 30, 2018, FOD reported \$24,855

in salaries for these individuals on its CFR that was allocated to the Programs. SED disallowed the full amount for these salaries as part of its adjustments. In response to our findings, FOD officials stated that these expenses were noted as not allowable on the CFR. Although FOD recognized these expenses as non-allowable, it did not appropriately deduct them.

Other Than Personal Service Costs

For the 2 fiscal years ended June 30, 2019, FOD reported \$816,807 in OTPS costs charged to the Programs. We selected a judgmental sample of various categories and identified \$76,069 in OTPS costs that were not allowable under SED's reimbursement requirements.

Ineligible Costs

According to the RCM, the following expenses are not reimbursable: costs incurred for food provided to staff; costs of gifts of any kind; costs related to entertainment for officers or employees or any related items such as meals, lodging rentals, transportation, and gratuities; clothing expenses for staff excluding Security and Housekeeping positions; losses from the sale of program vehicles; and advertising costs for the purpose of soliciting fundraising monies or donations. In addition, costs will be considered for reimbursement provided that such costs are directly related to the Programs and have adequate substantiating documentation. For the 2 fiscal years ended June 30, 2019, we found that FOD charged \$43,574 in ineligible costs to the Programs on its CFRs. These included:

- \$15,381 in costs for food, as well as meals and entertainment, provided to staff;
- \$11,265 for the loss on the sale of a vehicle;
- \$5,974 in depreciation expenses related to a tractor and a vehicle, which did not have support that they were related to the Programs;
- \$4,914 in costs for advertising and promotion that consisted primarily of donations and fundraisers;
- \$3,888 in bank fees not directly related to the Programs;
- \$1,245 in clothing costs for staff;
- \$687 for a landscaping/farming tool not directly related to the Programs; and
- \$220 in gifts.

Unsupported Costs

According to the RCM, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. For example, all purchases must be supported with

canceled checks and invoices listing the items purchased, date of purchase, and date of payment. In addition, the RCM states that in order for costs of automobile travel to be reimbursable, a vehicle log must be maintained to document fuel charges, mileage, and repair costs for all program-owned vehicles. For the 2 fiscal years ended June 30, 2019, we found that FOD charged \$30,995 in unsupported costs to the Programs on its CFRs. These included:

- \$21,455 in transactions for which FOD had insufficient or no supporting documentation;
- \$8,734 in vehicle expenses for which FOD did not maintain vehicle logs; and
- \$806 for subcontractor payments that were not supported through either payrolls or invoices.

Incorrect Allocation

The RCM states any expenditures that cannot be charged directly to a specific program must be allocated across all programs that benefited from the expenditure. In addition, entities operating programs must use allocation methods that are fair and reasonable. Such allocation methods must be documented and retained for each fiscal year. During the fiscal year ended June 30, 2019, FOD’s allocation methods stated that 70% of its \$36,504 in supplies and material expenses should be allocated to the Programs. However, we found that FOD overreported \$1,500 in supplies and material expenses for the Programs on its CFR that exceeded the documented allocation percentages.

Other Matters

Square Footage Allocations

For the fiscal year ended June 30, 2019, FOD used square footage to allocate several of its costs, such as repairs and maintenance, utilities, depreciation, and more. FOD officials stated that the allocations were not properly calculated in accordance with the CFR Manual. The updated allocation percentages based on the correct square footage are shown in the table below.

Program	Preschool Special Class – Over 2.5 Hours per Day	Preschool Integrated Special Class – Over 2.5 Hours per Day
Original Allocation	71.62%	9.57%
New Allocation	57.52%	30.95%
Difference	-14.10%	21.38%

The new allocation percentages result in a large amount of costs, approximately \$25,000 prior to disallowances, that should have been reported under the Preschool Integrated Special Class – over 2.5 hours per day instead of the Preschool Special Class – over 2.5 hours per day. While the new allocation percentages do not result in a disallowance to the Programs, they would result in different rates for each of the Programs and are what FOD should have used when filing its CFR.

Recommendations

To SED:

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

To FOD:

3. Ensure that costs reported on annual CFRs fully comply with SED's requirements 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 FOD on its CFR were properly calculated, adequately documented, and allowable under SED's guidelines, including the RCM and CFR Manual. The audit covered expenses reported on FOD's CFR for the fiscal year ended June 30, 2019 and certain expenses for the fiscal year ended June 30, 2018.

To accomplish our objective, we reviewed the RCM, CFR Manual, and related appendices that applied to the years we examined. We also evaluated the internal controls over the costs claimed and the schedules prepared in support of the CFRs submitted to SED. We evaluated FOD's internal controls as they related to costs it reported on the CFRs. We reviewed FOD's CFRs for the 2 fiscal years ended June 30, 2019 as well as credit card statements and other relevant financial records for the audit period. We determined the data was sufficiently reliable for our use in accomplishing our audit objective. We interviewed FOD officials and reviewed FOD's policies to obtain an understanding of its financial practices for reporting costs on the CFR. For personal service costs, we reviewed time records and support for all employees charged to the Program. For OTPS costs, we selected a judgmental sample and reviewed costs considered to be high risk (e.g., food, bank fees, and costs that appeared to be not relevant to the Programs) to determine whether they were properly calculated, adequately documented, and allowable. Based on our sample design, we cannot project our results to the population as a whole.

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 State Education Law.

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. These duties could be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of SED's oversight and administration of FOD's compliance with the RCM.

Reporting Requirements

We provided a draft copy of this report to SED and FOD 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 the report. In SED's response, officials agreed with the audit recommendations and indicated the actions they will take to address them. FOD officials generally agreed with our disallowances regarding personal service and OTPS costs. However, they disagreed with disallowances related to the median salary adjustment. Our response to FOD's comments are included in the report's State Comptroller's Comments.

Within 180 days after 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 where recommendations were not implemented, the reasons why.

Exhibit

Field of Dreams, Inc.
Schedule of Submitted and Disallowed Program Costs
for the Fiscal Years Ended June 30, 2018 and June 30, 2019

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services	\$1,580,208	\$96,052	\$1,484,156	E-G, N
Other Than Personal Services	\$816,807	\$76,069	\$740,738	A-D, H-M, O-S
Total Program Costs	\$2,397,015	\$172,121	\$2,224,894	

Notes to Exhibit

The following Notes refer to specific sections of the RCM 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 FOD officials during the course of the audit.

- A. RCM Section II – Generally, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented.
- B. RCM Section II.3 – Outreach activities, such as publications and other public relations endeavors which describe the services offered by approved private schools enabling them to better contribute to community educational objectives, are reimbursable. The intended outcome of these publications and public relations endeavors should be that of providing information and not for the purpose of recruiting students into programs or soliciting fundraising monies or donations.
- C. RCM Section II.3.A – Advertising costs for the purpose of recruiting students into programs or soliciting fundraising monies or donations are not reimbursable and remain non-allowable in the calculation of tuition rates. Promotional items of any type are not reimbursable. Examples include pens/pencils, notepads, etc.
- D. RCM Section II.11 – Clothing expenses for staff, excluding Security (Position Title Code 105) and Housekeeping and Maintenance (Position Title Code 102), such as uniforms, even if required by school policy, are not reimbursable and are considered to be personal expenses.
- E. RCM Section II.13.A – Salaries include all taxable and non-taxable salaries and wages paid or accrued to employees on the agency payroll, including severance pay to regular employees, payment for services (fee for service), and per diem pay.
- F. RCM Section II.13.A.4.a – Compensation (salaries plus fringe benefits) for an entity’s staff whose function is Executive Director, Assistant Executive Director, or Chief Financial Officer will be directly compared to the regional median salary compensation for comparable administrative job titles of public school districts, as determined and published annually by SED’s Basic Educational Data Systems. Reimbursement of employee compensation for these job titles shall not exceed the median compensation paid to comparable personnel in public schools for similar work and hours of employment in the region in which the entity is located. Compensation for an “Executive Director” providing services to an Article 81 and/or Article 89 funded program will be compared to the median “Superintendent-Independent” compensation for the region in which the entity is located, and compensation for an Assistant Executive Director and Chief Financial Officer will be compared to the median compensation for “Assistant Superintendent.”
- G. RCM Section II.13.A.5 – Compensation to all individuals who have a financial interest in the program, including shareholders, trustees, board members, officers, family members, or others and who are also program employees, must be commensurate to actual services provided as appropriately qualified program employees or consultants and shall not include any distribution of earnings in excess of reimbursable compensation.
- H. RCM Section II.20.A – Costs incurred for entertainment of officers or employees, activities not related to the program, or any related items such as meals, lodging rentals, transportation, and gratuities are not reimbursable.

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- I. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
 - J. RCM Section II.24 – Gifts of any kind are non-reimbursable.
 - K. RCM Section II.44.A.1 – Losses from the sale or impairment of program equipment, vehicles, or buildings will not be reimbursed in the tuition rate calculation.
 - L. RCM, Section II.59.D.3 – Costs of automobile travel are reimbursable as follows: Use of privately owned vehicles for program business by employees is reimbursable provided such use is documented and necessary.
 - M. RCM, Section II.59.D.5 – Costs of automobile travel are reimbursable as follows: A vehicle log must be maintained to document fuel charges, mileage, and repair costs for all program-owned vehicles.
 - N. RCM 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.
 - O. RCM Section III.1.C.2 – For consultants, adequate documentation includes, but is not limited to, the consultant’s résumé, a written contract that includes the nature of the services to be provided, the charge per day, and service dates. In the case of legal and accounting services, all payments must be supported by itemized invoices that indicate the specific services and/or deliverable actually provided and, for each service and/or deliverable, the date provided and the total amount charged. For all other consultant services, all payments must be supported by itemized invoices that indicate the specific services and/or deliverable actually provided and, for each service and/or deliverable, the date(s), number of hours provided, the fee per hour, and the total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served, the actual dates of service, and the number of hours of service to each child on each date.
 - P. RCM Section III.1.D – All purchases must be supported with canceled checks and invoices listing the items purchased, date of purchase, and date of payment. Costs must be charged directly to specific programs whenever possible. These particular program(s) must be identified on invoices or associated documents.
 - Q. RCM Section III.1.I – For equipment and furniture, inventory records, including the invoice, must be kept for all items purchased by the entity or donated to the entity for the benefit of approved programs. These records should list: the invoice number; a description of the item; the make, model, or serial number of the item; cost; date of purchase; date retired; if applicable, the program(s) using the asset; and the location.
 - R. RCM Section III.1.M.1.ii – Any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure. For example, the cost of supplies that are purchased for distribution among multiple programs must be allocated among these programs if direct charges are not possible. Adequate documentation of the allocation methodology should be maintained.

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- S. RCM 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 7 years. Allocation percentages should be reviewed on an annual basis and adjusted, as necessary.

Agency Comments - State Education Department



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

EXECUTIVE DEPUTY COMMISSIONER
(518) 473-8381
E-mail: Sharon.Cates-Williams@nysed.gov

September 21, 2022

Mr. Brian Reilly
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State St, 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, 2022-S-2, *Field of Dreams, Inc. (FOD) - 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 FOD’s CFR and to FOD’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 FOD 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 FOD 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, Regulations, and the Reimbursable Cost Manual (RCM). Furthermore, SED will alert FOD 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 Nell Brady, Director of the Rate Setting Unit, at (518) 474-1298.

Sincerely,



Sharon Cates-Williams

cc: Phyllis Morris
Christopher Suriano
Suzanne Bolling
Nell Brady
James Kampf
Jerry Nestleroad
Jeanne Day

Agency Comments - Field of Dreams, Inc.



September 23, 2022

Mr. Brian Reilly, Audit Director
Office of the State Comptroller
Division of State Government Accountability
Albany, NY 12236-0001

RE: State Education Department
Compliance with the Reimbursable Cost Manual
Field of Dreams, Inc. ("FOD")
Report 2022-S-2 dated September 2022

Dear Mr. Reilly:

We have reviewed the above mentioned report concerning the costs and expenses reported by Field of Dreams, Inc. ("FOD") on its Consolidated Fiscal Report (CFR) for the fiscal year ending June 30, 2019 and certain expenses claimed by FOD on its CFR for the year ended June 30, 2018, together with the auditors' determination as to whether the costs reported were reasonable, necessary, directly related to FOD's special education program, and sufficiently documented pursuant to the State Education Department's ("SED") Reimbursable Cost Manual ("RCM"). We provide the following comments and challenges to select findings presented in the report.

In addition, we wish to commend the audit supervisor and assisting staff from The Office of the State Comptroller. The audit team assigned conducted themselves with utmost professionalism and courtesy throughout the process. They were understanding of our schedules and dedication to the program avoiding any hindrance in our ability to serve the children and families who attend our programs.

To represent the findings fully and fairly in the Report, we request that the OSC update the Audit Highlight section of the Report to reflect, similar to how it is reflected in the Audit Findings and

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p. 845-355-3232

f. 845-355-4665

Recommendations section of the Report, that SED had already disallowed, on desk audit, \$44,152 of the proposed \$96,052 of disallowed personal service costs, so FOD was never funded for these costs.

Similarly, we request that the OSC reflect in their report that under SED reimbursement methodology certain screens exist, such that if the program overspends, or incurs too much administrative costs, those costs are screened out and not funded by SED. For the two years covered by the OSC audit, FOD incurred non-direct care screens (administrative costs exceeded SED allowable limits) of \$170,605 and \$208,450 for the years ended June 30, 2018, and 2019, respectively. As a result, predominantly all of the remaining disallowed costs identified by the OSC during their audit, which were not disallowed by SED on desk audit, were nonetheless not funded to FOD as they would have been screened out in calculating FOD's rates.

So while we appreciate the OSC auditors diligence and thoughtfulness throughout the process, the disallowances identified within the OSC's reports would not have any material impact on the rates paid to FOD and the amount of monies received by FOD.

In addition, it should be noted that in 2021, prior to the New York State Office of the State Comptroller's audit, FOD initiated an internal review to examine the financial conditions and institute financial controls in recognition of its weaknesses. Many of the findings that the OSC auditors identified within their report had already been corrected prior to the commencement of the audit during the year immediately succeeding the audit years.

With regards to the audit findings, we have prepared the following response. We are in agreement with the majority of the findings identified by the OSC auditors and it underscored a need for FOD to improve its systems regarding documentation and record retention, which, as previously outlined had already been reviewed and improved prior to the commencement of the OSC audit. Even though we agree with the majority of the OSC findings, we would like to make the following comments:

Personal Services:

- 1) We have analyzed the median salary adjustment proposed by the OSC for the assistant executive director, and while we agree that a median salary adjustment is necessary, we are calculating a different amount of disallowance than the \$71,197 calculated by the OSC. Based upon our calculations, which were provided to the OSC auditors, we believe that the disallowance should only be \$65,863. We request that you modify your report to reflect the correct disallowance. In addition, as the OSC auditors explained in their report, SED already disallowed \$19,297 of this amount on desk audit.

[Comment 1](#)

[Comment 2](#)

2) FOD does not challenge the auditor's findings regarding the owners' children's salaries. FOD understands and accepts the requirements set forth in the Reimbursable Cost Manual regarding record keeping for employees and/or related parties. However, as outlined on CFR-5, as filed with SED rate setting unit, the owners' children's salaries were reflected as non-allowable costs by Field of Dreams in filing its fiscal 2018 CFR, however the salaries were inadvertently not deducted from CFR-3. FOD's reporting of the salaries on CFR-5 is what prompted the SED desk audit questions that lead to the desk audit disallowance of these salaries, which is what FOD intended to do from the start. This is further supported by the fact that these salaries were properly disallowed on FOD's fiscal 2019 CFR filing. As a result, we request that OSC remove this comment from the final report.

[Comment 3](#)

Other Than Personal Services:

- 1) With respect to disallowed food and other benefits to staff, while we believe that staff recognition is critical in developing a positive culture and maintaining a dedicated workforce, we do not dispute that in accordance with the RCM such costs are not allowable. We would like to stress that while these costs are not permissible pursuant to the RCM, they are allowable for reimbursement by OPWDD, OASAS, and OMH, pursuant to the CFR Claiming Manual.
- 2) FOD acknowledges that vehicle related expenses, while proper business expenses, lacked the detailed documentation required pursuant to the RCM. FOD has strengthened its fiscal policies and procedures to ensure that any future request for reimbursements for travel will follow the Reimbursable Cost Manual. It should be noted that in 2018-19 when the Executive Director learned that she should not have the vehicle, and the expenses associated are not reimbursable, it was disposed of.
- 3) FOD relies on recruiting typical children from the surrounding area to fulfill its obligations to be an integrated preschool program. Children that attend FOD's preschool integrated program are enrolled by parents and tuition is paid. The advertisement listed and costs

incurred are for this purpose to ensure proper integration and proper socialization of the special needs children FOD serves with neurotypical children. We understand it does not meet the cost principle established in the RCM and therefore we do not dispute the Auditor's findings.

We, at Field of Dreams Preschool, appreciate the opportunity to provide response on the auditors' findings.

Sincerely,



Mariann Deblock
Chief financial officer

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State Comptroller's Comments

1. Our audit objective was to determine whether costs reported by FOD on its CFRs were properly calculated, adequately documented, and allowable under the SED guidelines. Our audit is independent of SED's review and notes when costs have been reported by FOD that do not meet SED's guidelines.
2. We disagree with FOD's median salary adjustment calculation. Our median salary adjustment calculation matches SED's calculation.
3. We acknowledge in our report that FOD reported the owner's children's salaries as non-allowable costs. Although it may have been FOD's intent to remove the children's salaries prior to the submission of the CFR, FOD did not appropriately deduct them.

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