

State Education Department

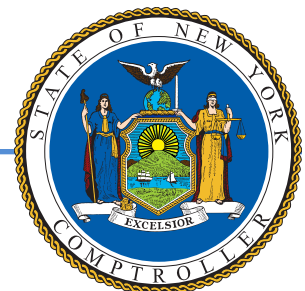
Queens Centers for Progress – Compliance With the Reimbursable Cost Manual

Report 2022-S-41 | August 2023

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether the costs reported by Queens Centers for Progress (QCP) on its Consolidated Fiscal Reports (CFRs) 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) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). The audit focused primarily on expenses claimed on QCP's CFR for the fiscal year ended June 30, 2019 and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2018.

About the Program

QCP is a New York City-based not-for-profit organization authorized by SED to provide a full-day Special Class program and a full-day Special Class in an Integrated Setting program to children with disabilities who are between the ages of 3 and 5 years. For the purpose of this report, these programs are referred to as the SED preschool cost-based programs. QCP also operated other SED-approved programs: Evaluations and 1:1 Aides. However, payment for services under these programs is based on fixed fees. During the 2018-19 school year, QCP served 147 preschool students in the SED preschool cost-based programs.

The New York City Department of Education refers students to QCP and pays for its services using rates established by SED. The rates are based on the financial information QCP reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2019, QCP reported approximately \$14.8 million in reimbursable costs for the SED preschool cost-based programs.

Key Findings

For the 3 fiscal years ended June 30, 2019, we identified \$257,297 in reported costs that did not comply with the requirements in the RCM and the CFR Manual, as follows:

- \$123,328 in non-allowable compensation costs associated with a licensed physician. According to the CFR Manual, the cost of physician services is non-allowable for SED preschool cost-based program reimbursement purposes.
- \$87,262 in non-allowable other than personal service (OTPS) expenses, including:
 - \$44,661 in affiliate dues expenses that were not necessary or directly related to the SED preschool cost-based programs;
 - \$38,991 in ineligible OTPS costs, including expenses reported in the incorrect reporting period, food for staff, fundraising, lobbying, and other expenses that were insufficiently documented; and
 - \$3,610 in expenses resulting from a duplication of services.
- \$36,208 in staffing expenses that were in excess of the approved staffing ratios.
- \$10,499 in Executive Director compensation costs that exceeded the allowable limit of one full-time equivalent employee.

Key Recommendations

To SED:

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

To QCP:

- 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

August 10, 2023

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

Terri Ross
Executive Director
Queens Centers for Progress
81-15 164th Street
Jamaica, NY 11432

Dear Dr. Rosa and Ms. Ross:

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 the Queens Centers for Progress 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. This 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>
DOE	New York City Department of Education	<i>Agency</i>
FTE	Full-time equivalent	<i>Key Term</i>
OTPS	Other than personal service	<i>Key Term</i>
QCP	Queens Centers for Progress	<i>Service Provider</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>

Background

The Queens Centers for Progress (QCP) is a New York City-based not-for-profit organization approved by the State Education Department (SED) to provide a full-day Special Class program and a full-day Special Class in an Integrated Setting program to children with disabilities who are between the ages of 3 and 5 years. For the purpose of this report, these programs are referred to as the SED preschool cost-based programs. During the fiscal year ended June 30, 2019, QCP served 147 students with disabilities in the SED preschool cost-based programs. In addition to the SED preschool cost-based programs, QCP operated other SED-approved programs such as Evaluations and 1:1 Aides. However, payment for services under these programs is based on fixed fees, as opposed to the cost-based rates established through financial information reported on Consolidated Fiscal Reports (CFRs).

The New York City Department of Education (DOE) refers students to QCP based on clinical evaluations and pays for QCP's services using rates established by SED. The rates are based on the financial information that QCP reports to SED on its annual CFRs. To qualify for reimbursement, QCP's reported costs 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 related to multiple programs and entities. SED reimburses DOE 59.5% of the statutory rate, which DOE pays QCP.

For the 3 fiscal years ended June 30, 2019, QCP reported approximately \$14.8 million in reimbursable costs for the SED preschool cost-based programs. This audit focused primarily on expenses that QCP claimed on its CFR for the fiscal year ended June 30, 2019, but also included certain expenses that QCP claimed on its CFRs for the 2 fiscal years ended June 30, 2018.

Audit Findings and Recommendations

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the 3 fiscal years ended June 30, 2019, we identified \$257,297 in reported costs that did not comply with SED's requirements for reimbursement. These ineligible costs include \$170,035 in personal service costs and \$87,262 in other than personal service (OTPS) costs. (See Exhibit at the end of the report.)

Strong internal controls are critical to the overall health of an organization. These controls help to safeguard assets and ensure reliable financial reporting and compliance with regulatory requirements. We attributed the disallowances detailed in this report to weaknesses in QCP's internal controls over its compliance with SED's guidelines.

Personal Service Costs

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the service 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 3 fiscal years ended June 30, 2019, QCP reported approximately \$13.9 million in personal service costs for the SED preschool cost-based programs. We identified \$170,035 in personal service costs that did not comply with the RCM and the CFR Manual's requirements for reimbursement.

Unallowable Physician Compensation

According to the CFR Manual, expenses associated with a physician (M.D.) are non-allowable for SED reimbursement purposes – except for the Evaluations program. This is further supported by Part 200.1(ee) of the Regulations of the Commissioner of Education, which defines medical services as evaluative and diagnostic services to determine whether a student has a medical-related disability that may result in the student's need for special education and related services. For the 3 fiscal years ended June 30, 2019, we identified \$123,328 (\$84,851 in salaries and \$38,477 in fringe benefits) that did not comply with the CFR Manual's guidance.

We found that QCP employed a physician who provided services to a variety of programs, including SED's preschool cost-based programs. QCP claimed that the physician's direct involvement is reasonable and necessary to support its high-needs student population, and that the physician performs essential services such as administering medications and prescribing services and medical equipment. However, we find these services to be inconsistent with SED's guidance for reimbursement for medical services performed by a licensed physician for the SED preschool cost-based programs.

Consequently, we recommend that SED disallow a total of \$123,328 in unallowable compensation charged to the SED preschool cost-based programs.

Excess Student-to-Staff Ratios

SED program approval letters establish the direct care student-to-staff ratios under which preschool special education classrooms are to operate. According to the RCM, direct care personnel costs in excess of the approved ratios are not reimbursable.

We compared QCP's staffing levels reported on its CFRs to the SED-approved staffing ratios and found the following:

- For the fiscal year ended June 30, 2019, the SED-approved teacher staffing level for QCP's preschool full-day Special Class program was 7.120 full-time equivalents (FTEs). However, QCP reported 7.416 teacher FTEs on its CFR. The compensation associated with the excess teachers amounted to \$35,528 (\$24,271 in salaries and \$11,257 in fringe benefits).
- For the fiscal year ended June 30, 2018, the SED-approved teacher staffing level for QCP's preschool full-day Special Class in an Integrated Setting program was 0.770 FTEs. However, QCP reported 0.776 teacher FTEs on its CFR. The compensation associated with the excess teacher amounted to \$680 (\$456 in salaries and \$224 in fringe benefits).

QCP officials claimed the excess staffing for the full-day Special Class program is attributed to misclassifying a special education teacher as a coverage teacher for the fiscal year ended June 30, 2019. However, QCP officials could not provide sufficient documentation, such as a revised employment contract, to support the individual's change in service.

Consequently, we recommend that SED disallow \$36,208 in compensation related to excess staffing of teachers that did not comply with the RCM's requirements.

Overstated Executive Director Compensation

According to the RCM, an entity's total combined reimbursement for all Co-Executive Directors shall be limited to a level commensurate with a 1.0 FTE position.

We found that QCP reported a total of 1.25 FTEs for two Executive Directors for the fiscal year ended June 30, 2018. The excess compensation (0.25 FTE) allocated to the SED preschool cost-based programs amounted to \$10,499 (\$7,044 in salaries and \$3,455 in fringe benefits).

Consequently, we recommend that SED disallow \$10,499 in Executive Director compensation that did not comply with SED's reimbursement requirements. We note that SED had previously disallowed these costs.

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 3 fiscal years ended June 30, 2019, QCP reported approximately \$949,000 in OTPS expenses for its SED preschool cost-based programs. To determine whether these expenses

complied with SED's requirements for reimbursement, we judgmentally selected and reviewed a sample of OTPS expenses totaling \$156,300. We identified \$87,262 in expenses that did not comply with SED's reimbursement requirements.

Affiliate Dues

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 the 3 fiscal years ended June 30, 2019, we found that QCP claimed a total of \$312,081 in affiliate dues expenses. Of this amount, \$44,661 was allocated to the SED preschool cost-based programs.

We determined the affiliate dues expenses were neither necessary nor directly related to the special education programs. Consequently, we recommend that SED disallow \$44,661 in costs that did not meet the RCM requirements. We note that SED had already disallowed \$30,800 of this amount.

Ineligible OTPS Costs

According to the CFR Manual, only expenses and revenues for the proper CFR reporting period should be claimed in the CFR for that period. In addition, according to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. The RCM also states that certain costs such as personal expenses, fines and penalties, staff food, fundraising, and lobbying are not reimbursable. We identified \$38,991 in OTPS costs that were ineligible for reimbursement, as follows:

- \$18,028 in expenses reported in the incorrect period. For example, an agreement, signed in August 2019, between QCP and an entity for the performance of independent auditing services was claimed in the fiscal year ended June 30, 2019.
- \$12,584 in staff food and gifts. The costs of gifts and food for staff are not reimbursable. These expenses were claimed on the CFR under such categories as staff development, staff training, supplies and materials, and repairs and maintenance.
- \$3,678 in fundraising expenses and lobbying fees.
- \$2,800 in insufficiently documented expenses. For example, \$1,683 in claimed expenses was not supported by an invoice. Invoices for the remaining expenses did not document the specific services provided.
- \$1,688 in non-program-related expenses. The invoices indicated the expenses were related to other programs.
- \$213 in non-allowable violations (e.g., building code violation).

Consequently, we recommend that SED disallow \$38,991 in OTPS expenses that did not meet the requirements of the CFR Manual or the RCM.

Duplication of Services

According to the RCM, consultants' service costs are reimbursable provided the services could not have been performed by an appropriately certified school officer or employee who possesses the necessary technical skills or by SED's staff. We found that QCP contracted with the prior Executive Director to provide consulting services totaling \$3,610 to SED's programs for the fiscal year ended June 30, 2018. These services could have been provided by the current Executive Director. Consequently, we recommend that SED disallow \$3,610 in consulting services that did not meet the requirements of the RCM.

Recommendations

To SED:

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

To QCP:

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 QCP on its CFRs were reasonable, necessary, directly related to the special education program, and sufficiently documented, pursuant to SED's guidelines, including the RCM and the CFR Manual. The audit focused primarily on expenses claimed on QCP's CFR for the fiscal year ended June 30, 2019 and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2018.

To accomplish our objective, we reviewed the RCM, the CFR Manual, the Regulations of the Commissioner of Education, QCP's CFRs, and relevant financial and program records for the audited period. In addition, we evaluated the internal controls over the costs claimed on, and the schedules prepared in support of, the CFRs submitted to SED. We determined that the data was sufficiently reliable for our use in accomplishing our audit objective. We also interviewed QCP officials and staff to obtain an understanding of QCP's financial and business practices. Additionally, we selected judgmental samples of reported costs to determine whether they were supported, program related, and reimbursable. Specifically, we reviewed costs that were considered high risk and reimbursable in limited circumstances based on prior audit report findings, such as salaries and fringe benefit expenses, cost allocation, and OTPS expenses. Our samples were based on the relative materiality of the various categories of costs reported and their associated levels of risk. Our samples were not designed to be projected to the entire population of reported costs.

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. 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 may 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 QCP's compliance with the RCM.

Reporting Requirements

We provided a draft copy of this report to both SED and QCP 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 it. In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. In their response, QCP officials accepted some of our conclusions but disagreed with other proposed disallowances. Our responses to certain QCP 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 the 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

**Queens Centers for Progress
Summary of Reported and Disallowed Program Costs
for the 2016-17, 2017-18, and 2018-19 Fiscal Years**

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$12,899,973	\$159,536	\$12,740,437	B-D, I
Agency Administration	991,242	10,499	980,743	
Total Personal Services	\$13,891,215	\$170,035	\$13,721,180	
Other Than Personal Service				
Direct Care	\$726,820	\$17,175	\$709,645	A, E-H, J
Agency Administration	222,421	70,087	152,334	
Total Other Than Personal Services	\$949,241	\$87,262	\$861,979	
Total Program Costs	\$14,840,456	\$257,297	\$14,583,159	

Notes to Exhibit

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

- A. RCM Section II – 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.13 – Compensation for personal service costs includes all salaries and wages, as well as fringe benefits.
- C. RCM Section II.13.A.(4)(c) – An entity that employs Co-Executive Directors shall have total reimbursement for all Co-Executive Directors combined, limited to a level commensurate with a 1.000 FTE position. This level will be the maximum compensation level for the entire entity operating the approved programs.
- D. RCM Section II.13.A.(4)(e) – Direct care student-to-staff ratios shall not exceed the approved staffing levels supported by SED's program approval letter. Any net excess of staff will not be included as part of reimbursable costs in the program's reconciliation tuition rate.
- E. RCM Section II.14.A.(2) – Costs of consultants' services are reimbursable provided that the services could not have been performed by an appropriately certified school officer or employee who possesses the necessary technical skills or by the Department's staff.
- F. RCM Section II.20.B – All personal expenses, such as personal travel expenses, laundry charges, beverage charges, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on a personal vehicle, and rental expenses for personal apartments, are not reimbursable unless specified otherwise in the RCM.
- G. RCM Section II.21 – Fines and penalties resulting from violations of or failure by the entity to comply with federal, State, and/or local laws and regulations are not reimbursable.
- H. RCM Section II.22.C – Costs of food provided to any staff are not reimbursable.
- I. CFR Manual Appendix R – Code 320-Physician-M.D. is unallowable for SED with the exception of the 9190 program (Evaluations).
- J. CFR Manual (page 3.3) – Only expenses and revenues for the proper CFR reporting period should be included in the CFR. CFRs submitted with expenses and revenues for a different reporting period will not be accepted.

Agency's 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

June 28, 2023

Kenrick Sifontes
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st Floor
New York, NY 10038

Dear Mr. Sifontes:

The following is the New York State Education Department's (SED) response to the draft audit report, 2022-S-41, Queens Centers for Progress (QCP) – Compliance With the Reimbursable Cost Manual.

Recommendation 1:

"Review the recommended disallowances identified by our audit and make the necessary adjustments to the costs reported on QCP's CFR and to QCP's tuition reimbursement rates, as warranted."

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. NYSED will further review the staffing recommendations to determine if the adjustments are appropriate.

Recommendation 2:

"Remind QCP officials of the pertinent SED requirements 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 QCP 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 QCP 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: Christina Coughlin
Christopher Suriano
Suzanne Bolling
James Kampf
Jeanne Day
Nell Brady
Rebecca Jones
Mary Moore

Agency's Comments - Queens Centers for Progress



Pamela A. Madeiros
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June 23, 2023

VIA ELECTRONIC MAIL

Kenrick Sifontes
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane
New York, New York 10038
Email: StateGovernmentAccountability@osc.ny.gov

Re: State Education Department
Compliance with the Reimbursable Cost Manual
Queens Centers for Progress
Audit Report 2022-S-41
Draft Report

Dear Mr. Sifontes:

We have reviewed the above-referenced Draft Report relative to compliance with the Reimbursable Cost Manual and the costs and expenses reported by Queens Centers for Progress on the Consolidated Fiscal Report (CFR) for the fiscal years 2016-17 through 2018-19. We welcome the opportunity to correct any potential error of fact set out in the Report, and to provide additional information which should be considered in the formulation of audit conclusions, in furtherance of the stated goals of encouraging and maintaining transparency and an open dialog throughout the audit process.

Personal Services Costs

Physician Compensation

While we acknowledge that the CFR Manual for the applicable years does set out the general rule that physician costs should be related to evaluation services, the CFR manual and RCM do also otherwise accommodate service costs / salary expenses which are “necessary” and clinically appropriate.

The student population served by CP affiliates in general, and the Queens Centers for Progress specifically, are high-need, medically compromised children with physical conditions which require immediate often life-saving attention by highly trained health care professionals. While nursing services address the more general needs of the student populations, a physician’s direct involvement is critical to programs such as the Queens Centers for Progress. Our physician’s direct involvement is necessary for the administration of medications to our students, the direction of prescriptions for services such as occupational therapy, physical therapy and orthotics, the prescription of diapers for children lacking the capacity to self-regulate, the development and implementation of our AED plan, as well as the prescribed purchase of certain medical equipment. The physician’s services are integral to creating a safe and healthy environment for our students, with the immediacy of medical response so necessary for our student populations.

Accordingly, we request the auditors reconsider the proposed disallowance of certain salary costs associated with the physician's services, in the best interest of our students.

[Comment 1](#)

Student-to-Staff Ratios

Queens Centers for Progress challenges the auditors' proposed finding that \$36,208 in salary costs and expenses should be disallowed as in excess of approved student-to-staff ratios. As the provided documentation reflected, the individual ("SS") in question was engaged for the summer of the 2018-19 year as a teacher, but then performed substitute or "coverage" teacher functions for the balance of the school year. Thus, while misdirected, the costs associated with .749 FTE (\$71,012) "teacher" should have been reported as .099 (\$9,386), the balance of which – .65 FTE (\$61,626) more appropriately reported as substitute / coverage teacher expenses. The costs and expenses associated with this individual, then, are nonetheless appropriate and allowable, regardless, as the auditors' assert, whether the employee's contract reflected substitute teacher responsibilities as a "change in service". Clearly, the occasional performance of substitute teaching responsibilities is ancillary to the primary scope of employment and is reasonable and necessary, and supported by documentation.

[Comment 2](#)

We would also submit that our records indicate the 2017-18 CFR reflects .742 FTE's for teachers and not .776 as stated in the auditors' report.

[Comment 3](#)

Duplication of Services

We do not challenge the auditors' finding that compensation related to a former management officer had been reported as a reimbursable cost in error, and appreciate the team's acknowledgement that SED had made the necessary adjustment when establishing the tuition rate. Accordingly, we request that the auditors characterize the funding as "other" and decline to recommend for disallowance.

Other-Than-Personal Services Costs

Affiliate Dues

We do not challenge the auditors' finding that \$45,531 in "affiliate dues" expenses did not comport with the provisions of the Reimbursable Cost Manual, but do note that, as acknowledged by the audit team, \$30,800 of such reported expenses had already been disallowed by SED during the tuition rate process. Thus, only the "unadjusted" amount in FY 2019 should be proposed for disallowance, as a disallowance of the full \$44,661 would be duplicative.

Incorrect Reporting Period

We do not challenge the auditors' finding that \$18,028 in vendor expenses had been incorrectly claimed on CFRs for services provided in a different fiscal year.

Food and Gifts for Staff

While well intentioned in support of our dedicated staff, we do not challenge the auditors' finding that \$12,584 in food and gift cost related expenses should have been reported as non-allowable costs.

Kenrick Sifontes
Office of the State Comptroller
Page 3

Program Related Costs

We do not challenge the auditors' finding that \$1,688 in reported costs were not directly related to the 4410 program and therefore were reporting incorrectly.

Insufficient Documentation

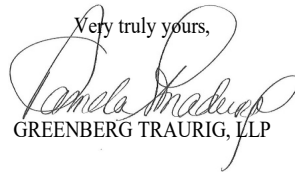
We do not challenge the auditors' finding that \$2,800 in expenses lacked sufficient documentation.

Other Costs

We do not challenge the auditors' finding that \$3,678 in expenses and \$213 in fines were ineligible for reimbursement.

• • • • •

We appreciate the auditors' observations and attributions as to the likely causes of certain findings and have already undertaken efforts to strengthen the potential weaknesses in risk assessment and monitoring of control activity identified in the Report.

Very truly yours,

GREENBERG TRAURIG, LLP

PAM/maf
Enclosures
ACTIVE 688318384v1

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Bonnie Ng (Queens CP)

State Comptroller's Comments

1. We disagree. The CFR Manual specifically identifies the position of Physician-M.D. as allowable in the Evaluations program only and not in education programs, as QCP reported. We also did not find references in the RCM to physician services being reimbursable in education programs. We contend that certain activities QCP indicated were performed by the physician are consistent with services eligible for reimbursement under the Evaluations program. Moreover, SED did not approve physician services under QCP's education programs (i.e., full-day special class and integrated programs).
2. QCP reported the individual as a special education teacher on the CFR and provided insufficient documentation to support a change in the teacher's employment status from special education teacher to coverage teacher. Further, QCP did not respond to our request for additional information to demonstrate the individual served as a coverage teacher.
3. We stand by our findings. The reported full-time equivalent per the CFR was, in fact, 0.776.

Contributors to Report

Executive Team

Andrea C. Miller - *Executive Deputy Comptroller*

Tina Kim - *Deputy Comptroller*

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