



New York State Comptroller  
**THOMAS P. DiNAPOLI**

# Cantalician Center for Learning – Compliance With the Reimbursable Cost Manual

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State Education Department

Report 2022-S-7 | January 2023

Spotlight on Education



# Audit Highlights

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## Objective

To determine whether the costs reported by Cantalician Center for Learning (Cantalician) 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 Cantalician to SED on its 2016 and 2017 CFRs for the fiscal year ended June 30, 2017.

## About the Program

Cantalician is an SED-approved, not-for-profit special education provider located in Depew, serving students from Erie, Genesee, and Niagara counties. Cantalician provides special education services to children with disabilities who are between the ages of 3 and 5 years. Cantalician is reimbursed for these services through rates set by SED. The reimbursement rates are based on financial information, including costs, that Cantalician reports to SED on its annual CFR. To be eligible for reimbursement, reported costs must comply with RCM requirements. For the fiscal year ended June 30, 2017, Cantalician reported approximately \$2.23 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 fiscal year ended June 30, 2017, we identified \$358,254 in ineligible costs reported by Cantalician on its CFRs for the Programs. The ineligible costs included:

- \$347,406 in personal service costs, consisting of unsupported salaries and associated fringe benefits.
- \$10,848 in other than personal service costs, consisting of \$9,673 in unsupported costs and \$1,175 in ineligible costs.

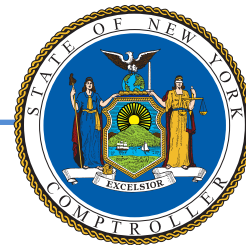
## Key Recommendations

### To SED:

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

### To Cantalician:

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



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

January 26, 2023

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

Ann Spisiak  
Executive Director  
Cantalician Center for Learning  
2049 George Urban Boulevard  
Depew, NY 14043

Dear Dr. Rosa and Ms. Spisiak:

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 Cantalician Center for Learning 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

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<b>Term</b>	<b>Description</b>	<b>Identifier</b>
SED	State Education Department	<i>Auditee</i>
Cantalician	Cantalician Center for Learning	<i>Service Provider</i>
CFR	Consolidated Fiscal Report	<i>Key Term</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
FTE	Full-time equivalent	<i>Key Term</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

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Cantalian Center for Learning (Cantalian) is a not-for-profit special education provider located in Depew, serving students from Erie, Genesee, and Niagara counties. Cantalian is authorized by the State Education Department (SED) to provide, among other programs, preschool special education services to children with disabilities who are between the ages 3 to 5 years. During our audit period, Cantalian operated two rate-based preschool special education programs for about 107 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 Cantalian’s preschool special education services pay tuition to Cantalian using reimbursement rates set by SED. The State, in turn, reimburses the counties for a portion of the tuition paid. SED sets the special education rates based on financial information, including costs, that Cantalian 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 and documentation requirements, and must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the fiscal year ended June 30, 2017, Cantalian reported approximately \$2.23 million in reimbursable costs for the Programs.

# Audit Findings and Recommendations

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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 fiscal year ended June 30, 2017, we identified \$358,254 in costs that Cantalician reported on its CFRs that did not comply with SED's requirements for reimbursement. The ineligible costs include \$347,406 in personal service costs and \$10,848 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

For the fiscal year ended June 30, 2017, Cantalician reported \$1.92 million in personal service costs charged to the Programs. We reviewed personal service costs and identified \$347,406 in expenses that were not allowable under SED's reimbursement requirements.

## Salaries

According to the RCM, compensation costs must be based on approved, documented payrolls, and payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Actual hours of service are the preferred statistical basis upon which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies. Additionally, the CFR Manual states that providers with personnel who work in more than one program should allocate their salary to the proper cost center during the normal accounting cycle based on actual time and attendance. This is especially important when a provider operates multiple programs with different funding sources and staff may work on more than one program.

Due to significant employee turnover of those responsible for completing the CFRs during our audit scope, Cantalician officials were unable to provide adequate support to document actual hours worked, nor were they able to produce a time study for shared staff who worked in multiple programs to show how salaries and fringe benefits were allocated. Because actual hours of service cannot be supported and a time study was not completed, we used certain calculations to determine fair and reasonable personal service costs, as discussed next.

## Teachers/Teacher Assistants/Teacher Aides

We used Cantalician's payroll data to calculate the standard full-time equivalents (FTEs) as defined in the CFR Manual for Program teachers, teacher assistants, and teacher aides. We compared these FTEs to the number of FTEs SED approved for each Program. We found Cantalician reported personal service costs exceeding what SED approved by \$111,303 (\$88,504 salary and \$22,799 associated fringe benefits) for teachers, aides, and assistants.

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While Cantalician officials acknowledged they overreported hours for these positions on the CFRs during our audit period, they maintained that salaries were not overreported. However, Cantalician officials could not provide documentation to support these costs.

## **Therapists**

Cantalician has five types of therapists reported on its CFRs for the Programs: Speech Therapist, Physical Therapist, Occupational Therapist, Certified Therapist Assistant, and Teacher of the Speech and Hearing Handicap. Using therapists' session note data, we were able to determine the number of direct care half-hour sessions held by each therapist in each Program. We compared the time therapists spent working with students in the Programs with the time they reported on the CFR and found \$166,808 (\$132,918 salary and \$33,890 associated fringe benefits) in non-allowable personal service costs for therapists.

In response to our findings, Cantalician officials stated that therapists also have indirect time that is not documented but should be accounted for. Cantalician officials referenced an October 2015 SED Special Education Field Advisory Memo for Special Education Itinerant Services, stating that indirect time is allowed. However, the memo also states that providers must maintain accurate records to document both direct and indirect service hours provided as well as time spent on all other activities, related to each student served. Because they could not provide support for indirect time, we could not account for indirect time in our calculation of therapists' time.

## **Program Administrative Staff**

We used the program administration percentage to determine salaries for all remaining Program job title codes. The program administration percentage is the amount of agency administrative costs allocated to the Programs determined by dividing the program agency administrative costs by the total agency administrative costs. We applied these percentages for the audit scope and compared it to what Cantalician reported on its CFR. We found \$69,295 (\$55,249 salary and \$14,046 associated fringe benefits) in non-allowable personal service costs for program administrative staff.

In response, Cantalician officials disagreed with our methodology, stating that not all job title codes we applied this method to were for program administration positions, and some included direct care. However, we maintain this approach as fair and reasonable in the absence of any required supporting documentation demonstrating that they were direct care positions.

## **Other Than Personal Service Costs**

For the fiscal year ended June 30, 2017, Cantalician reported \$307,757 in OTPS costs charged to the Programs. We selected a judgmental sample of various



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categories and identified \$10,848 in OTPS costs that were not allowable under SED's reimbursement requirements.

## Unsupported Purchases

According to the RCM, generally, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. 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. The programs must be identified on invoices or associated documents. We identified \$9,673 in purchases that had no supporting documentation, including audit, legal, and payroll fees.

## Ineligible Costs

According to the RCM, costs must be reasonable, necessary, directly related to the special education programs, and sufficiently documented. The RCM states that when determining the reasonableness of a given cost, consideration is to be given to, among other factors, whether the cost is a type generally recognized as ordinary and necessary for the operation of a special education program approved under Article 89 of the Education Law. It also states that costs for staff, including clothing, food, beverages, entertainment, flowers, and gifts, and other related costs for meetings, including board meetings, are not reimbursable. Additionally, promotional items of any type and charitable contributions and donations are not reimbursable. We found Cantalician reported \$1,175 in staff-related expenses that are ineligible for reimbursement, including: food, flowers, gift cards, charitable donations, tickets to an alumni dinner, a defensive driving class for an administrative staff member, and late fees to multiple vendors.

## Recommendations

### To SED:

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

### To Cantalician:

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

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The objective of the audit was to determine whether the costs reported by Cantalician on its CFRs were properly calculated, adequately documented, and allowable under SED guidelines, including the RCM and the CFR Manual. The audit covered expenses reported on Cantalician's 2016 and 2017 CFRs for the fiscal year ended June 2017.

To accomplish our objective and assess internal controls related to our objective, we reviewed the RCM, the CFR Manual, and related appendices that applied to the fiscal year 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 reviewed Cantalician's CFRs for the two calendar years ended December 31, 2017, with a focus on select costs for the fiscal year ended June 30, 2017, as well as relevant financial records for the audit period. We determined that the data was sufficiently reliable for our use in accomplishing our audit objective. We interviewed Cantalician personnel and reviewed policies to obtain an understanding of their financial practices for reporting costs on the CFR. For personal services, we used FTEs approved by SED, session notes, and the program administrative percentage to determine fair and reasonable personal service costs. For OTPS expenses, we selected a judgmental sample of costs claimed by Cantalician on its CFRs that were considered high risk (e.g., food, costs that appeared not to be 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

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## Authority

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 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 Cantalician's compliance with the RCM.

## Reporting Requirements

We provided a draft copy of this report to SED and Cantalician 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 recommendations and indicated the actions they will take to address them. Cantalician officials generally agreed with the disallowances regarding personal service and OTPS costs. However, they disagreed with the methodology used to calculate the amount of personal service disallowances. Our responses to certain comments are embedded within Cantalician's response as State Comptroller's Comments. Cantalician officials included two exhibits with their response. These exhibits are not included in this report but have been retained on file at the Office of the State Comptroller.

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 where the recommendations were not implemented, the reasons why.

# Exhibit

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**Cantalician Center for Learning  
Schedule of Submitted and Disallowed Program Costs  
for Fiscal Year Ended June 30, 2017**

<b>Program Costs</b>	<b>Amount Reported on CFR</b>	<b>Amount Disallowed</b>	<b>Amount Remaining</b>	<b>Notes to Exhibit</b>
Personal Services	\$1,923,934	\$347,406	\$1,576,528	A-G
Other Than Personal Services	307,757	10,848	296,909	A, B, H-M
<b>Total Program Costs</b>	<b>\$2,231,691</b>	<b>\$358,254</b>	<b>\$1,873,437</b>	

# Notes to Exhibit

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The following Notes refer to specific sections of the RCM and the CFR Manual 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 Cantalician officials during the course of the audit.

- A. RCM Section I.10.A – In determining the reasonableness of a given cost, consideration shall be given to whether the cost is of a type generally recognized as ordinary and necessary for the operation of the approved special education program. Public special education funding shall be used in accordance with Article 89 of Education Law Section 4401 and Section 4410 10.(e).
- B. 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. Such reimbursable costs will be included in the calculation of tuition rates up to any limits or cost parameters approved annually in the rate-setting methodology.
- C. RCM Section II.3.A – Promotional items of any type are not reimbursable.
- D. 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.
- E. RCM Section III.1.B – Actual hours of service are the preferred statistical basis upon which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies.
- F. CFR Manual Appendix L – Providers with personnel who work in more than one program should allocate their salary to the proper cost center during the normal accounting cycle based on actual time and attendance records. If this does not occur, the service provider must complete a time study for each employee who works in more than one program.
- G. CFR Manual Section 16.6 – Calculate the FTE by dividing the number of hours paid by the product of the standard full-time work week times 52 weeks per year.
- H. 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.
- I. RCM Section II.1.6 – Political and charitable contributions and donations made by the program are not reimbursable.
- J. 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, personal vehicle repairs, and rental expenses for personal apartments, are not reimbursable unless specified otherwise in the RCM.
- K. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.

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L. RCM Section II.24 – Gifts of any kind are non-reimbursable.

M. RCM Section II.30.C – Costs for food, beverages, entertainment and other related costs for meetings, including board meetings, are not reimbursable.

# Agency Comments - State Education Department

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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

January 10, 2023

Ms. Theresa Podagras  
Audit Manager  
Office of the State Comptroller  
Division of State Government Accountability  
110 State St, 11<sup>th</sup> Floor  
Albany, NY 12236

Dear Ms. Podagras:

The following is the New York State Education Department's (SED) response to the draft audit report, 2022-S-7, *Cantalician Center for Learning (Cantalician) - Compliance With the Reimbursable Cost Manual*.

Recommendation 1:

**“Review the disallowances identified by our audit and make the necessary adjustments to the costs reported on Cantalician’s CFR and to Cantalician’s tuition reimbursement rates, if 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 and audit, legal and payroll charges to determine if the adjustments are appropriate.

Recommendation 2:

**“Remind Cantalician 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 Cantalician 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 Cantalician 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

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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  
James Kampf  
Jerry Nestleroad  
Jeanne Day  
Nell Brady



# Agency Comments - Cantalician and State Comptroller's Comments

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Pamela A. Madeiros  
518-689-1412  
madeirosp@gtlaw.com

January 5, 2023

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

Re: State Education Department  
Compliance with the Reimbursable Cost Manual  
Cantalician Center for Learning  
Audit Report 2022-S-007  
Draft Report

Dear Ms. Podagrosi:

We have reviewed the above-referenced Draft Report relative to whether the costs reported by the Cantalician Center for Learning (the "Center") on its 2016 and 2017 Consolidated Fiscal Reports (CFRs) for the financial year ending June 30, 2017 were properly calculated, adequately documented, and allowable under the State Education Department's (SED's) guidelines, including the Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). While we do not challenge certain proposed findings, we do challenge select findings, in whole or in part, as set out below.

## **General Comments**

As the auditors are aware, and as reflected in the auditors' stated narrative, the Cantalician Center has experienced an unprecedented turnover in key management positions which leaves the Center at a profound disadvantage in providing context for certain reported costs or the methodology employed in calculating and allocating such costs. As a result, the Center is constrained to provide such documentation in support of certain reported costs only as available, including session notes, time sheets, and relevant work product, even in the absence of time studies. We appreciate the auditors' acknowledgement that the Center did provide services during the audit period and appreciate the auditors' thoughtful consideration of documentation provided in support of actual costs incurred.

## **Salary Allocation**

### **Teachers, Assistants, Aids**

We challenge the auditors' finding that the Center reported \$111,303 in non-allowable personal service costs related to our pedagogical staff on the 2016-17 CFR. While we appreciate the allocation methodology/alternative method proposed by the auditors to calculate reasonable personal service costs,

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Theresa Podagrosi  
Office of the State Comptroller  
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we believe the following analysis and attached supporting documentation is a more appropriate method by which to review the costs and supports our assertion that while hours of service may have been over-reported, actual salaries were not.

In reconciling the auditors' work to payroll records, the Center's consultant accountant noted that the audit team had initially selected 32.5 hours per week as the standard work week for teaching staff. We understand that there may have been an initial miscommunication on the part of the Center during the auditor team's field work. Point in fact, teachers are exempt employees and are required to complete tasks beyond the standard school hours from 7:30 to 2:30 as noted in their Collective Bargaining Agreement (CBA), Page 22. Management of the Center confirms that the exempt staff were required to work 35 hours per week not 32.5, and that their compensation was based on that requirement. Thus, the use 32.5 hours as the standard work week is inconsistent with the terms of the Collective Bargaining Agreement and the practice of the Center for exempt employees and we appreciate the auditors' reconsideration and recalculation at 35 hours.

**State Comptroller's Comment** – We adjusted the work hours from 32.5 to 35 in our calculation following our closing conference; the adjustment was reflected in the draft report.

We note that the Center assigned a single teacher to each of its 9 classrooms for the entire school year. However, an error occurred in reporting teachers' hours on the Consolidated Fiscal Report (CFR) due to the Center reporting actual time worked (which was documented by its electronic timekeeping system) then adding paid time off hours (PTO), in accordance with the Collective Bargaining Agreement) which resulted in an over reporting of hours. As reflected in Exhibit #1, regular hours (which represent the punches on the Center's electronic timekeeping system) were added to the PTO hours, excluding the Recess hours (see separate note below) to report the hours on the 2016 and 2017 CFRs. This error in reporting hours worked by Teachers resulted in the Center overreporting the Teachers FTEs.

**State Comptroller's Comment** – We did not include Exhibit #1 in the report as it contains confidential information.

We acknowledge the auditors' consideration of the 32.5 hour standard work week for non-exempt employees (aides and assistants) as we believe this differentiation is key to a proper analysis of aides and assistants FTEs for approved classroom staffing compliment. As shared with the audit team, aides and assistants' hours reported on the Center's CFRs are the sum of regular hours worked (based on punches on the Center's electronic timekeeping season) plus PTO hours specified in the Collective Bargaining Agreement excluding recess hours.

In addition, the Collective Bargaining Agreement also provides for staff to be "paid out" the amount of hours in excess of the 60 hours that can be carried over from year to year up to 5 days (35 hours) (See page 23). Although additional compensation, we do not believe those hours should be considered in the determination of hours worked for purposes of calculating approved FTEs.

As follow up to previous correspondence relating to pay code BDWTH that appears in the 2017 Payroll Summary and which reflects 14 hours for exempt staff and 13 hours for non-exempt staff representing 2 days of Pay, as part of our analysis we determined that this pay code reflects hours paid for school closure days due to weather in accordance with the Collective Bargaining Agreement. These hours were included in the total hours of staff.

**State Comptroller’s Comment** – Cantalician officials were unable to provide adequate support to document actual hours worked. Therefore, we could not exclude any of the work categories such as “paid out” hours over 60 or BDWTH in the absence of any supporting documents or time sheets to review.

We also noted errors in the auditors’ staffing analysis of both the 2016 and 2017 years relating to duplication of hours and wages for certain staff, while omitting others. In one example, the auditors erroneously categorized a PT [REDACTED] as a preschool staff apparently because she shared the same last name of the [REDACTED], who changed her name during 2017. We also noted an error in the calculation of “staff” as a result of the use of position descriptions and not position code, thereby omitting certain staff from the auditor’s calculation labeled “staff”.

**State Comptroller’s Comment** – We have redacted the names of employees included in Cantalician’s response to respect the privacy of these employees. As discussed with Cantalician at the closing conference, these findings were removed and were not included in the audit report.

In completing our salary analysis of the 2016-17 school year using the classroom list which reflect staff assigned to specific rooms, the consultant accountant noted immaterial under reporting related to teachers’ Salaries on the 2016 and 2017 CFRs for the 9100 and 9160 preschool programs. However, over reporting of FTEs and salaries on the same CFRs for aides and assistants was significant which, according to Center management, reflected openings in the preschool aides and assistants, as shown in their Classroom List. Management also clarified that when necessary, aides would float between school age and preschool classrooms. Center management is unable, at this time, to provide additional documentation related to classroom assignments. The staff FTE and salary variance from the CFR is summarized in the table below:

Table 1

Program	Position	FTE Variance	Salary Variance
9100	Teachers (218)	(.05)	\$6,386
9100	Aides (228) and Assistants (232)	(2.12)	(29,849)
9160	Teachers (218)	.04	1,079
9160	Aides (228) and Assistants (232)	(3.18)	(48,766)
Total	9100 and 9160	(5.29)	\$(71,150)
	Fringe Benefits		(18,784)
	Total		\$(89,944)

Based on the information provided above, together with payroll records and classroom assignments, we concede that the Center over reported Salaries and Benefits associated with its preschool teachers, aides and assistants in the amount of \$89,944.

### Therapists

The Center likewise challenges the auditors’ proposed disallowance of \$177,432 in reported costs related to therapeutic services. While the Center recognizes the relevance of data reflected on the Client Management System, those data points reflect only the direct service component of an employee clinicians’ duties and responsibilities. As the auditors are aware, a full-time salaried clinician provides both direct and indirect services within the course of the work week. Direct service hours are determined by the IEP, while the balance of the workday centers on indirect activities, tasks and required functions, including session note taking, coordinating with the teaching staff, preparation for and attendance at CPSE meetings,

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Theresa Podagrosi  
Office of the State Comptroller  
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classroom observations, communications with parents and such other activities which support and complement the actual “face-to-face” therapy session. The percentage of time allocated to such indirect functions is guided by the CFR schedule SED 4, Related Service Need and Productivity Schedule which assumes a 60/40-time allocation, direct to indirect. Importantly, the Collective Bargaining Agreement acknowledges a full 35-hour work week for those salaried positions.

As shown in Exhibit #2, attached, the Center reported total hours relative to the clinical staff on the CFR, consistent with reporting protocols for teaching staff discussed above; specifically, regular hours, recess time, holidays, weather emergencies, sick and personal time. We also note that these exempt employees were paid over a 52 week pay schedule for services provided during the 46 weeks that School was in session.

**State Comptroller’s Comment** – We did not include Exhibit #2 in the report as it contains confidential information.

Accordingly, we assert that a therapists’ entire salary and total hours, including indirect and paid time off hours, should be allocated to the different education programs based on the proportion of units of service provided in each program to the total units of service provided in all programs. For these reasons we respectfully request the auditors reexamine the proposed disallowance within this context notwithstanding the concession that time records did not differentiate direct services hours from indirect services and tasks, as the auditors prefer.

**State Comptroller’s Comment** – As stated in the report, providers must maintain accurate records to document both direct and indirect service hours provided as well as time spent on all other activities, related to each student served. While the Collective Bargaining Agreement acknowledges a full 35-hour week, Cantalician officials could not provide any support documenting that therapists actually worked those hours.

### **Program Administration**

In reviewing the proposed program administration personal service costs disallowance, we noted that the auditors included salaries for certain direct care, clinical and program administration positions in their calculation then applied the program administration percentage rate from the NYS SED SEDFIN system for the 2016-17 school year to determine the allowable costs. It appears the auditors then compared this amount to the amount reported on the CFR for the same positions, disallowing the amount of salary costs reported on the CFR greater than their calculated salary amount. The auditors then appear to have added the fringe benefit rate calculated on the CFR (CFR 1, line 20 amount divided by CFR 1, line 16) to the unallowable amount. We note that the program administration percentage rate reflected on the SEDFIN is actually the Agency Administration cost allocated to the program using ratio value factor then divided by total agency administration costs, adjusted for using 2 calendar year CFRs. As a result, this percent is not directly related to the individual programs’ program administration costs.

We challenge the appropriateness of this allocation methodology for the program administration personal service costs position codes (500 series), as it is not directly related to those costs. Furthermore, we challenge whether this is a reasonable allocation methodology for the other direct care and clinical positions, as those positions are specific to students needs and ensuring the students’ Individualized Educational Plans are met. In the alternative, we propose the following adjustments to the Program Administration allocation methodology to test costs reported in the 2016-17 school year:

**IEP Coordinator (Position Code 238)**

A certified or licensed individual acting in capacity of an IEP coordinator is responsible for ensuring that IEP recommendations are implemented and that each service provider responsible for implementation of a student's IEP is aware of his or her IEP responsibilities, including specific accommodations, program modifications, supports and/or services for the student, prior to implementation of such program. The IEP coordinator serves as a liaison to the school district Committee on Special Education.

Accordingly, we believe allocation of salary for this position should align with and be proportionate to the number of student FTEs assigned to each program, divided by the total number of student FTE enrolled in all programs.

**Behavioral Support Specialist (Position Code 243)**

These Behavioral Support Specialists are individuals with less than a master's degree who assist in the implementation of positive behavioral interventions, supports and services.

We believe that the costs associated with these Specialists are identifiable in alignment with Behavioral Intervention Plans developed on a child-specific basis and should be allocated to the cost centers of those students.

**Registered Nurse (Position Code 317)**

Individuals performing registered nursing services implement IEPs on a child specific basis as well as provide general nursing services to all students. Accordingly, we would suggest allocating costs based on student FTE's considering both child specific and general services.

**Clinical Coordinator (Position Code 342)**

Clinical Coordinators are responsible for overseeing clinical aspects of the program, including staff supervision and case review.

Accordingly, we would recommend allocation of associated costs based on either proration by the Clinical staff FTEs reported in each program that are overseen by the Clinical Coordinators or by clinical services provided to students in each program divided by the total of all clinical services provided in all programs.

**Program Administration Positions (Position Codes 500 series)**

Program administrative position costs are associated with the overall direct administration of: 1) a specific program type that operates at more than one site; or 2) multiple program types at a single site; or 3) a specific program type at a single site. As the auditors may be aware, the CFR recognizes the ratio value allocation methodology as relates to such costs as incurred by non-SED executive agencies. Accordingly, we would recommend using this methodology to allocate shared Program Administration costs to the Center's education programs.

**State Comptroller's Comment** – Cantalician officials could not provide adequate documentation to support personal service costs for program administration, IEP Coordinator, Behavioral Support Specialist, Registered Nurse, Clinical Coordinator, or Program Administration positions, as required by the CFR Manual. We used the most reasonable allocation methodologies to determine allowable costs.

**Unsupported Purchases**

The Center challenges the auditors' proposed disallowance of \$9,673 in program purchases as unsupported and \$1,175 in staff related expenses as not reimbursable. As set out below, each of these expenses identified by the auditors' as unsupported or not reimbursable related were reported on lines 10 and 17 of the CFR. The Center then reported those same expenses on line 41 of the CFR, reflecting each as non-allowable.

**Proposed Unsupported Purchases include the following:**

Board Meeting and food	\$1,994.00	Line 10
Late Charges	\$8,791.00	Line 17
Non-Interest Capital Cost	\$46,565	Line 17
Closing Cost on Sale of Building	\$71,877.00	Line 17
Staff Recognition	\$5,621.00	Line 17
Audit Settlement fee	\$3,902	Line 17

**The 2016 CFR 3, Line 41, Non-Allowable cost reported by CCL include the following:**

Board Meeting and food	\$1,994.00
Late Charges	\$8,791.00
Non-Interest Capital Cost	\$46,565
Closing Cost on Sale of Building	\$71,877.00
Staff Recognition	\$5,708.00
Audit Settlement fee	\$3,902

In as much as the Center properly excluded these expenses from otherwise allowable reported costs, we believe the findings of unsupported or ineligible costs related should be reconsidered.

**State Comptroller's Comment** – As we discussed with Cantalician during the closing conference, the expenses reported on line 41 as non-allowable were not included in the report. Cantalician could not provide supporting documentation for the remaining \$9,673 in expenses.

**Other Expenses**

The Center does not challenge the auditors' proposed findings totally \$765 of certain expenses incurred around demonstrations of staff appreciation and support including flowers, gift cards, and food purchases, which, while appropriate, were not compliant with the rigorous rules defining reimbursement.

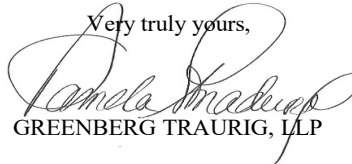
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Theresa Podagrosi  
Office of the State Comptroller  
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The Cantalician Center for Learning appreciates the opportunity to provide comment on these preliminary findings.

Very truly yours,



Pamela Madigan  
GREENBERG TRAURIG, LLP

PAM/maf  
Enclosures  
ACTIVE 684369465v2

cc: Lauren Bizzarro (OSC)  
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