

State Education Department

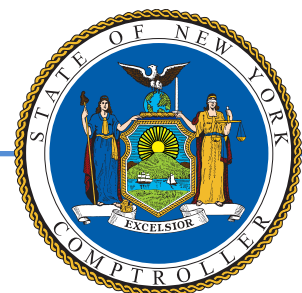
Handicapped Children's Association of Southern New York, Inc. – Compliance With the Reimbursable Cost Manual

Report 2022-S-49 | December 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 Handicapped Children's Association of Southern New York, Inc. (HCA) 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 covered expenses reported on HCA's 2017 and 2018 CFRs for the fiscal year ended June 30, 2018.

About the Program

HCA (also known as Helping Celebrate Abilities) is a not-for-profit special education provider located in Johnson City and serves students from four counties in the Southern Tier. HCA is authorized by SED to provide Preschool Integrated Special Class education services to children with disabilities, ages 3 and 4, at four different locations. For the purpose of this report, this program is referred to as the SED preschool cost-based program. HCA also operated other SED-approved preschool special education programs including Special Education Itinerant Services, Evaluations, Related Services, 1:1 Aides, and a Department of Health Infant/Toddler program. However, payments for services under these programs are based on fixed fees, as opposed to the cost-based rates established through CFR-reported financial information. During the 2017–18 school year, HCA served 84 preschool children with disabilities.

The counties that use HCA preschool special education services pay tuition to HCA 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 HCA reports to SED on its annual CFRs. For the fiscal year ended June 30, 2018, HCA reported more than \$1.9 million in reimbursable costs for the SED preschool cost-based program.

Key Findings

For the fiscal year ended June 30, 2018, we identified \$66,009 in reported costs that did not comply with the requirements in the RCM and CFR Manual, as follows:

- \$35,816 in costs reported by HCA on the CFRs that were not offset by an increase in revenue received for students without disabilities and staffing costs that exceeded the revenue reported by HCA on its CFR for services for students without disabilities.
- \$29,786 in ineligible personal service compensation costs for bonus payments made without having a written policy detailing the criteria and methods used to determine the performance evaluation rating for bonus issuance, and for unsupported hours worked.
- \$407 in ineligible other than personal service costs for unsupported supplies, travel, and health care purchases, and for food for staff.

Key Recommendations

To SED:

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

To HCA:

- 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

December 6, 2023

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

Lisa Kost
Executive Director
Handicapped Children's Association of Southern
New York, Inc.
18 Broad Street
Johnson City, NY 13790

Dear Dr. Rosa and Ms. Kost:

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 Handicapped Children's Association of Southern New York, 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. 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>
FTE	Full-time equivalent	<i>Key Term</i>
HCA	Handicapped Children's Association of Southern New York, Inc.	<i>Service Provider</i>
Non-disabled revenue	Revenue reported for students without disabilities for Preschool Integrated Special Class programs	<i>Key Term</i>
OTPS	Other than personal service	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>

Background

Handicapped Children’s Association of Southern New York, Inc. (HCA), also known as Helping Celebrate Abilities, is a not-for-profit special education provider located in Johnson City, serving students from four counties in the Southern Tier. HCA is authorized by the State Education Department (SED) to provide Preschool Integrated Special Class education services to children with disabilities, ages 3 and 4 years, at four different locations. For the purpose of this report, this program is referred to as the SED preschool cost-based program. During the fiscal year ended June 30, 2018, HCA served 84 students with disabilities.

In addition to the SED preschool cost-based program, HCA also operated other SED-approved preschool special education programs including Special Education Itinerant Services, Evaluations, Related Services, 1:1 Aides, and a Department of Health Infant/Toddler program. However, payments for services under these programs are based on fixed fees, as opposed to the cost-based rates established through CFR-reported financial information.

The counties that use HCA preschool special education services pay tuition to HCA 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 HCA reports to SED on its annual Consolidated Fiscal Reports (CFRs). Costs reported on the CFRs 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, 2018, HCA reported more than \$1.9 million in reimbursable costs for the SED preschool cost-based program.

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 fiscal year ended June 30, 2018, we identified \$66,009 in costs that HCA reported on its CFR that did not comply with SED's requirements for reimbursement. These ineligible costs include \$65,602 in personal service costs and \$407 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 HCA'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 fiscal year ended June 30, 2018, HCA reported approximately \$1.7 million in personal service costs charged to the SED preschool cost-based program. We identified \$65,602 in personal service costs that did not comply with the RCM and CFR Manual requirements for reimbursement.

Offsetting Revenue

Per SED's 2017–18 tuition rate-setting methodology for Preschool Special Class Programs in an Integrated Setting, after applying the non-direct care cost parameter, reported expenditures are reduced by the greater of:

- Actual revenues received for students without disabilities; or
- An amount calculated by multiplying the reported full-time equivalent (FTE) enrollment of students without disabilities (not prorated for program hours per day) times a regional day care rate or prorated regional day care rate for children ages 3 to 5, as published in New York Codes, Rules and Regulations Title 18, Section 415.9, applicable to the time period for which the program operated.

We compared the 2017–18 revenues reported by HCA on its CFRs for students without disabilities for the SED preschool cost-based program (non-disabled revenue) to the revenue generated under the regional day care rates (Office of Children and Family Services rates) as described in the tuition rate-setting methodology. We found that the calculated revenue for the SED preschool cost-based program exceeded the reported revenue by \$5,439. Therefore, we recommend that the offsetting revenue for the SED preschool cost-based program be increased by \$5,439. (Note: SED already made this adjustment to reported offsetting revenue.)

Further, according to Section 4410 of the New York State Education Law, special education funding shall not be used to cover costs for regular preschool educational services. For the SED preschool cost-based program, we found the non-disabled revenue reported by HCA on its CFRs did not cover the total salary and fringe benefits associated with staffing for students without disabilities. The non-disabled salary and fringe costs not covered by the non-disabled revenue for the 2017–18 fiscal year totaled \$30,377. Therefore, we recommend SED increase offsetting revenues for the SED preschool cost-based program by this amount.

We recommend SED disallow \$35,816 – the amount of additional revenue that HCA should have reported on its CFRs.

Bonus Payments

According to the RCM, bonus compensation is a non-recurring lump sum payment in excess of regularly scheduled salary, which is not directly related to hours worked and restricted to direct care employees. A bonus may be reimbursed if it is based on merit, as measured and supported by employee performance evaluations. Furthermore, the provider’s governing entity must adopt a written employee performance evaluation policy that contains sufficient detail as to the criteria and methods used to determine each employee’s final evaluation rating and how the final evaluation rating will directly correlate to the bonus compensation amount.

During the fiscal year ended June 30, 2018, HCA reported \$28,262 in bonus payments to 40 staff members. In addition, \$1,460 in bonus compensation paid to 18 agency administrative staff was allocated to the SED preschool cost-based program. Because agency administrative staff are not direct care employees, bonus payments made to these employees are ineligible for reimbursement in accordance with the RCM. Further, in support of the bonus compensation paid for the 40 direct care employees, HCA officials acknowledged they do not have a written employee performance evaluation policy. Rather, they could only provide documentation to support a board meeting discussion regarding the bonus payments.

Consequently, we recommend that SED disallow \$29,722 (\$27,064 in salary and \$2,658 in associated fringe benefits) in bonus payment compensation that did not comply with SED reimbursement requirements.

Unsupported Salary Costs

According to the RCM, 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. For the fiscal year ended June 30, 2018, HCA reported \$64 in salary costs allocated to the SED preschool cost-based program on its CFRs for one employee that were not supported by time sheet documentation (\$51 in salary and \$13 in associated fringe benefits).

We recommend that SED disallow \$64 in unsupported salary costs that were charged to the SED preschool cost-based program.

Other Than Personal Service Costs

According to the RCM, costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the fiscal year ended June 30, 2018, HCA reported \$166,389 in OTPS expenses charged to the SED preschool cost-based program. To determine whether these expenses complied with SED's requirements for reimbursement, we judgmentally selected and reviewed a sample of OTPS expenses totaling \$142,452. We identified \$4,433 was ineligible for reimbursement per RCM guidelines, of which \$407 was charged to the SED preschool cost-based program.

Ineligible Costs

According to the RCM, costs must be necessary and directly related to the special education programs. In addition, the costs for food provided to staff are not reimbursable nor are costs for food, beverages, entertainment, and other related costs for meetings, including board meetings. We found that HCA charged \$141 in ineligible food for staff to the SED preschool cost-based program on its CFRs.

We recommend that SED disallow \$141 in costs that were not in compliance with the RCM.

Unsupported Costs

According to the RCM, costs will be considered for reimbursement provided such costs are 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 identified on invoices or associated documents and charged directly to specific programs whenever possible. We identified \$266 in purchases allocated to the SED preschool cost-based program that did not have supporting documentation, including costs for a general health exam, vehicle fuel, and a credit card purchase.

We recommend that SED disallow \$266 in costs that were not in compliance with the RCM.

Recommendations

To SED:

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

To HCA:

- 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 HCA 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 CFR Manual. The audit covered expenses reported on HCA's 2017 and 2018 CFRs for the fiscal year ended June 30, 2018.

To accomplish our objective, we reviewed the RCM, the CFR Manual, the Regulations of the Commissioner of Education, HCA's CFRs, and relevant financial and program records for the audited period. We also interviewed HCA personnel and reviewed HCA's policies to obtain an understanding of its financial practices for reporting costs on the CFR. In addition, we evaluated the internal controls over the costs claimed and the schedules prepared in support of the CFRs submitted to SED.

We used a non-statistical sampling approach to provide conclusions on our audit objectives and to test internal controls and compliance. We selected a judgmental sample 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 bonus payments, salary costs, and OTPS expenses. Our samples were based on the relative materiality of the various categories of costs reported and their associated levels of risk. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations.

We obtained data from HCA's general ledger and other financial systems and assessed the reliability of that data by interviewing officials knowledgeable about the system and tracing to and from source data. We determined that the data from these systems was sufficiently reliable for the purposes of this report.

Statutory Requirements

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 HCA's compliance with the RCM and CFR Manual.

Reporting Requirements

We provided a draft copy of this report to both SED and HCA 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. HCA officials accepted some of our conclusions but disagreed with other proposed disallowances. Our responses to certain HCA 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 State Education Department shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Exhibit

**Handicapped Children's Association of Southern New York, Inc.
Schedule of Submitted and Disallowed Program Costs
for the Fiscal Year Ended June 30, 2018**

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$1,687,446	\$64,142	\$1,623,304	A-C, G, I, J
Agency Administration	57,396	1,460	55,936	
Total Personal Services	\$1,744,842	\$65,602	\$1,679,240	
Other Than Personal Service				
Direct Care	\$148,412	\$262	\$148,150	A, D-F, H
Agency Administration	17,977	145	17,832	
Total Other Than Personal Services	\$166,389	\$407	\$165,982	
Total Program Costs	\$1,911,231	\$66,009	\$1,845,222	

Notes to Exhibit

The following Notes refer to specific sections of the RCM, the 2017–18 Tuition Rate Setting Manual, and the New York State Education Law, which we 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 HCA 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.A.(10) – A merit award may be reimbursed if it is based on merit as measured and supported by employee performance evaluations that are completed prior to the determination and accrual of the merit award and within 1 year of such determination and accrual. In order to demonstrate that a merit award is based on merit and measured and supported by employee performance evaluations, the provider’s governing entity must adopt a written employee performance evaluation policy and form that contains sufficient detail as to the criteria and methods used to determine each employee’s final evaluation rating. The written employee performance evaluation policy must also describe how the final evaluation rating will directly correlate to any amount of a merit award should funds be available for such an award.
- C. RCM Section II.13.A.(10)(a) – Merit awards are restricted to direct care titles/employees as defined by the RCM’s Appendix A-1 and those in the 100 position title code series and position title code 505 and 605, as defined by the Consolidated Fiscal Report’s Appendix R.
- D. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- E. RCM Section II.30.C – Costs for food, beverages, entertainment, and other related costs for meetings, including board meetings, are not reimbursable.
- F. RCM Section III.1 – Costs will not be reimbursable on field audit without appropriate written documentation.
- G. 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.
- 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. The particular programs must be identified on invoices or associated documents.
- I. 2017–18 Tuition Rate-Setting Methodology Memo Section 1.H.1 for Preschool Special Class Programs in an Integrated Setting – After application of the non-direct care cost parameter, reported expenditures are reduced by the greater of actual revenues received for students without disabilities or an amount calculated by multiplying the reported FTE enrollment of students without disabilities (not prorated for program hours per day) times a regional day care rate or a proration of a regional day care rate for children ages 3 to 5, as published in 18 NYCRR 415.9, applicable to the time period for which the program operated.
- J. Section 4410(10)(e) of the New York State Education Law – Public special education funding provided for the purposes of this section shall not be used to purchase regular preschool

educational services, day care, or other child care services or to purchase any instructional service other than special services or programs as defined in Subdivision 2 of Section 4401 of this article or in this section, and the purchase of such regular preschool educational services and child care services shall not be approvable pursuant to this section as a charge upon the municipality or the board.

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

October 27, 2023

Nadine Morrell
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State St, 11th Floor
Albany, NY 12236

Dear Ms Morrell:

The following is the New York State Education Department's (SED) response to the draft audit report, 2022-S-49, Handicapped Children's Association of Southern New York, Inc (HCA) - 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 HCA's CFRs and to HCA'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 increase in non-disabled revenue offset and bonus payment disallowance recommendations to determine if the adjustments are appropriate.

Recommendation 2:

"Remind HCA's 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 HCA's officials avail themselves of our assistance to help them better understand the rules for cost reporting and criteria for cost reimbursement as presented in the CFR, Regulations, and the Reimbursable Cost Manual (RCM).

Furthermore, SED will alert HCA 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
Jennifer Finucan
Rebecca Jones
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Agency Comments - HCA

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November 1, 2023

Ms. Nadine Morrell
Audit Director
Office of the NYS Comptroller
110 State Street, 11th Floor
Albany, NY 12236

Re: The Handicapped Children's Association of Southern New York, Inc. (HCA)
Compliance with the RCM – Report 2022-S-49

Dear Ms. Morrell:

We would like to start by thanking the audit team for the professional and respectful manner in which the audit was conducted.

In response to the Audit Report covering the 2017-2018 school year, it is our opinion that the costs reported on the 2017 and 2018 Consolidated Fiscal Reports are reasonable, necessary, directly related to the special education program and sufficiently documented pursuant to the SED RCM and CFR Manual.

Below are our responses to the Audit Findings:

Personal Service Costs – Offsetting Revenues

Finding

\$35,816 in costs reported by HCA on the CFRs that were not offset by an increase in revenue received for students without disabilities and staffing costs that exceeded the revenue reported by HCA on its CFR for services for students without disabilities.

Response

The numbers presented for non-disabled revenue and the corresponding non-disabled expense were reported accurately on the CFR. The program is a 4410 Integrated preschool program with an 18:2:1 ratio. While we strive to fully enroll non-disabled students in our program, we are not always able to achieve full enrollment. Though we may not be fully enrolled in our non-disabled program, we are not able to employ only a portion of a Non-Disabled Teacher in a classroom in proportion to the number of Non-Disabled Students. This may result in a variance between the non-disabled student revenue and the non-disabled student expenses.

Helping Celebrate Abilities



A United Way Member Agency

www.hcaserves.com

An Affiliate of Cerebral Palsy Association of NYS, Inc.

Since it is an important part of the programmatic component of the SCIS program to provide integration with non-disabled students to the extent possible, we respectfully disagree with the concept of this being an adjustment to offsetting revenue. We reported our information correctly on the CFR and believe that any adjustment, if necessary, would be made by the reconciliation process.

[Comment 1](#)

Personal Service Costs – Bonus Payments

Finding

\$29,786 in ineligible personal service compensation costs for bonus payments made without having a written policy detailing the criteria and methods used to determine the performance evaluation rating for bonus issuance.

Response

Documentation related to the bonus calculation being based upon merit was provided. We also provided copies of the performance evaluation forms that substantiated the ratings. The bonuses were included in the 2017 budget that was approved by the Board on 4/26/17. We respectfully disagree with a disallowance of the bonuses based upon our documentation that the bonuses were merit based and that the board did approve bonuses in that budget year. In addition, the lack of any cost of living increases to the 4410 programs for several years did not allow for salary increases since there was uncertainty of sustainability. The reimbursement structure and lack of increases has often made a bonus in lieu of salary increase a necessary option as we strive to maintain staff for this critical program for preschool children with a disability.

[Comment 2](#)

Personal Service Costs - Unsupported Salary Costs

Finding

For the fiscal year ended June 30, 2018, HCA reported \$64 in salary costs allocated to the SED preschool cost-based program on its CFRs for one employee that were not supported by time sheet documentation (\$51 in salary and \$13 in associated fringe benefits).

Response

We do not disagree with the finding. The amount of unsupported salary costs was \$64 and negligible in relation to total salary reported and was due to a slight variation in the allocation percentages used for one person.

Other Than Personal Service Costs- Ineligible Costs

Finding

According to the RCM, costs must be necessary and directly related to the special education programs. In addition, the costs for food provided to staff are not reimbursable nor are costs for food, beverages, entertainment, and other related costs for meetings, including board meetings. We found that HCA charged \$141 in ineligible food for staff to the SED preschool cost-based program on its CFRs.

Response

We do not disagree with the finding. Conceptually, we disagree with the inability to provide minor acknowledgements for staff appreciation.

Other Than Personal Services - Unsupported Costs

Finding

We identified \$266 in purchases allocated to the SED preschool cost-based program that did not have supporting documentation, including costs for a general health exam, vehicle fuel, and a credit card purchase.

Response

We do not disagree with the finding. The amount of \$266 is negligible and related to minor clerical errors.

We appreciate the opportunity to review the Draft Report and to provide comment.

Sincerely,



Lisa Kost
Executive Director

Cc: Dr. Betty A. Rosa, Interim Commissioner, State Education Department

State Comptroller's Comments

1. We disagree. As stated on page 8 of our report, according to Section 4410 of the New York State Education Law, special education funding shall not be used to cover costs for regular preschool educational services. For the SED preschool cost-based program, we found the non-disabled revenue reported by HCA on its CFRs did not cover the total salary and fringe benefits associated with staffing for students without disabilities.
2. We stand by our findings. While HCA provided evaluations for some of the employees and documentation to support a board meeting discussion regarding the bonus payments, HCA did not have a written employee performance evaluation policy, as required by the RCM.

Contributors to Report

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Tina Kim - *Deputy Comptroller*

Stephen C. Lynch - *Assistant Comptroller*

Audit Team

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