

State Education Department

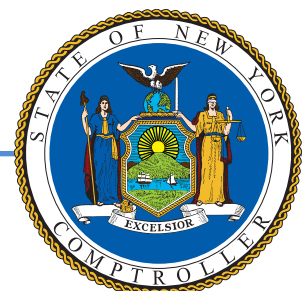
The Arc Franklin-Hamilton d/b/a The Adirondack Arc: Compliance With the Reimbursable Cost Manual

Report 2024-S-32 | August 2025

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 The Arc Franklin-Hamilton d/b/a The Adirondack Arc (Adirondack) 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 Adirondack's CFRs for the fiscal year ended June 30, 2021, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2020.

About the Program

Adirondack is a not-for-profit special education provider located in Tupper Lake that serves students from Franklin and Hamilton counties. Adirondack is authorized by SED to provide Preschool Special Class (over 2.5 hours per day) education services to children with disabilities between the ages of 3 and 5 years. For the purposes of this report, this program is referred to as the SED preschool cost-based program. Adirondack also operated other SED-approved preschool special education programs, including Special Education Itinerant Services, Evaluations, 1:1 Aides, and Preschool Related Services. However, payments for services under these programs are based on fixed fees, as opposed to the cost-based rates established using CFR-reported information. During the 2020-21 school year, Adirondack served approximately 43 preschool children in the SED preschool cost-based program.

Franklin and Hamilton counties pay tuition to Adirondack 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 Adirondack reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2021, Adirondack reported approximately \$3.9 million in reimbursable costs for the SED preschool cost-based program.

Key Findings

For the 3 fiscal years ended June 30, 2021, we identified \$76,812 in reported costs that did not comply with the requirements in the RCM and the CFR Manual, as follows:

- \$59,299 in vehicle costs that were not sufficiently documented
- \$9,074 in unsupported related-party costs
- \$4,937 in insufficiently documented and ineligible costs, including unknown charges, household supplies, credit card transactions, food, and gifts
- \$2,539 in executive compensation that exceeded 1.0 full-time equivalent
- \$963 in compensation costs for one employee that should have been reported on Adirondack's CFR under the 1:1 Aides program cost center

Key Recommendations

To SED:

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

-
- Remind Adirondack officials of the pertinent SED requirements that relate to the deficiencies we identified.

To Adirondack:

- 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 27, 2025

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

Scott Stiles
Chief Executive Officer
The Arc Franklin-Hamilton
12 Mohawk Street
Tupper Lake, NY 12986

Dear Dr. Rosa and Mr. Stiles:

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 Arc Franklin-Hamilton d/b/a The Adirondack Arc to the State Education Department for the purpose of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
SED	State Education Department	<i>Auditee</i>
Adirondack	The Arc Franklin-Hamilton	<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>
RCM	Reimbursable Cost Manual	<i>Policy</i>

Background

The Arc Franklin-Hamilton d/b/a The Adirondack Arc (Adirondack) is a not-for-profit special education provider located in Tupper Lake, serving students from Franklin and Hamilton counties. Adirondack is authorized by the State Education Department (SED) to provide Preschool Special Class (over 2.5 hours per day) education services to children with disabilities between the ages of 3 and 5 years. For the purposes of this report, this program is referred to as the SED preschool cost-based program. During the 2020-21 school year, Adirondack served approximately 43 preschool children in the SED preschool cost-based program.

In addition to the SED preschool cost-based program, Adirondack also operated other SED-approved preschool special education programs, including Special Education Itinerant Services, Evaluations, 1:1 Aides, and Preschool Related Services. However, payments for services under these programs are based on fixed fees, as opposed to the cost-based rates established through Consolidated Fiscal Reports (CFRs).

Franklin and Hamilton counties pay tuition to Adirondack 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 Adirondack reports to SED on its annual 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 3 fiscal years ended June 30, 2021, Adirondack reported approximately \$3.9 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 3 fiscal years ended June 30, 2021, we identified \$76,812 in costs that Adirondack reported on its CFRs that did not comply with SED's requirements for reimbursement. These ineligible costs include \$3,502 in personal service costs and \$73,310 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 and 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 Adirondack's internal controls over its compliance with SED's guidelines.

Personal Service Costs

According to the RCM, 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, 2021, Adirondack reported approximately \$3.2 million in personal service costs for the SED preschool cost-based program. We identified \$3,502 in personal service costs that did not comply with the RCM and the CFR Manual's requirements for reimbursement.

Excess Executive Compensation

According to the RCM, for non-direct care staff under the 500 and 600 position title code series per Appendix R of the CFR Manual, the full-time equivalent (FTE) in total across entities cannot exceed 1.0. Compensation beyond 1.0 FTE for non-direct care staff, owners, or related parties will not be considered reimbursable in the calculation of tuition rates.

For each of the 3 fiscal years ended June 30, 2021, the executive director's FTE exceeded 1.0, equating to \$36,955 in compensation (\$28,735 in salary and \$8,220 in fringe benefits). Of this amount, \$2,539 was allocated to the SED preschool cost-based program.

Consequently, we recommend that SED disallow \$2,539 in executive compensation that did not comply with SED's requirements. We note that SED had previously disallowed these costs.

1:1 Aides

According to the RCM and the CFR Manual, all 1:1 aide costs (salaries, fringe benefits of the aide, and allocated direct and indirect costs) should be reported in a separate cost center (Program Code 9230) on the provider's CFRs.

For the fiscal year ended June 30, 2021, Adirondack officials claimed \$963 (\$761 in salary and \$202 in fringe benefits) in compensation costs for one employee reported as a 1:1 aide to the SED preschool cost-based program. However, the costs for 1:1 aides should have been reported on the provider's CFR under the fixed-fee 1:1 Aides program cost center.

Consequently, we recommend that SED disallow \$963 in compensation expenses that were not in compliance with the RCM's requirements.

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, 2021, Adirondack reported \$746,527 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 \$148,892. We identified \$73,310 in expenses that did not comply with SED's reimbursement requirements.

Vehicle Costs

According to the RCM, vehicle use must be documented with individual vehicle logs that include, at a minimum, the date, time of travel, to and from destinations, mileage between each, purpose of travel, and name of traveler. For vehicles solely used by maintenance staff in performing assigned duties such as building/property upkeep and repairs, a weekly log must be maintained and must include the beginning and ending dates of the week, the beginning and ending mileage, and a signature of a designated supervisor attesting that the logged mileage was used solely by maintenance/building staff, with a description of the maintenance activities that were performed using the vehicle that week. Further, if the vehicle was assigned to an employee, the name of the employee to whom it was assigned should also be listed. The annual mileage for program purposes and repairs and maintenance costs for each vehicle should be summarized and maintained.

Adirondack did not maintain vehicle logs for the 3 fiscal years ending June 30, 2021. During the 3 fiscal years ended June 30, 2021, Adirondack reported \$59,299 in vehicle costs that were not supported by vehicle logs, including operating costs (\$36,843), depreciation (\$21,308), and interest (\$1,148).

We recommend that SED disallow \$59,299 related to vehicle expenses that were not in compliance with SED's requirements.

Related-Party Transactions

According to the RCM, a related party includes any party transacting or dealing with a program operator where the party has ownership of, control over, or significant influence on the management or operating policies of the program operator to the extent that an arm's-length transaction may not be achieved. Furthermore,

transactions with related parties can only be reimbursed using actual documented costs of the owner or vendor. Invoices presented to the approved special education provider by the related party do not constitute “actual costs.” Actual costs are those the related party incurs and it is expected, upon audit, that the related party will produce evidence of its costs.

As a related party to Adirondack, NYSARC, Inc., the parent organization of Adirondack and the pass-through entity through which the national-level Arc organization (The Arc of the United States) also charges fees, is required to provide evidence of its costs. The CFR Manual states that NYSARC provider chapters, such as Adirondack, do not have to submit the supporting documentation because their parent agency, NYSARC, Inc., submits the supporting documentation for all its chapter members directly to the applicable State agencies. However, the supporting documentation provided to SED was not sufficient to determine whether the expenses charged to the program were reasonable and appropriate for reimbursement.

We identified \$131,841 in related-party costs that were unsupported and included costs charged directly to Adirondack from NYSARC, Inc. and indirectly to Adirondack from The Arc of the United States, of which \$9,074 was allocated to the SED preschool cost-based program.

We recommend that SED disallow \$9,074 in related-party expenses that were not supported.

Insufficiently Documented and/or Non-Allowable Expenses

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. All purchases must be supported with canceled checks and invoices listing the items purchased, date of purchase, and date of payment. Additionally, costs incurred for promotional items, food for staff, gifts, entertainment, and donations are not reimbursable.

We identified \$3,881 in expenses that did not have any supporting documentation, including unknown charges (\$2,166), household supplies (\$684), food (\$453), credit card transactions (\$305), non-household supplies (\$190), office supplies (\$58), and audit expenses (\$25). We also found that Adirondack reported \$1,056 in expenses that were ineligible for reimbursement, including staff food (\$568), gifts (\$315), promotional items (\$88), and Department of Motor Vehicle expenses associated with an unknown vehicle (\$85).

We recommend that SED disallow \$4,937 (\$3,881 + \$1,056) in costs that were not in compliance with the RCM or not sufficiently documented.

Recommendations

To SED:

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

To Adirondack:

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 Adirondack 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 Adirondack's CFRs for the fiscal year ended June 30, 2021, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2020.

To accomplish our objective, we reviewed the RCM, the CFR Manual, the Regulations of the Commissioner of Education, Adirondack's CFRs, and relevant financial and program records for the audited period. We also interviewed Adirondack officials and staff to obtain an understanding of Adirondack's financial and business practices. 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 used a non-statistical sampling approach to provide conclusions on our audit objective 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 salaries and fringe benefit expenses, cost allocations, and OTPS expenses. We also selected a judgmental sample of employees based on their title codes, the number of programs their salaries were attributed to, and which CFR schedule they were charged to. 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. Our samples are discussed in detail in the body of our report.

We obtained data from Adirondack's general ledgers and other financial systems, and we assessed the reliability of that data by interviewing officials knowledgeable about the system and by 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

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties could be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our professional judgment, these duties do not affect our ability to conduct this independent performance audit of SED's oversight and administration of Adirondack's compliance with the RCM and the CFR Manual.

Reporting Requirements

We provided a draft copy of this report to SED and Adirondack 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. Both SED and Adirondack officials agreed with the audit recommendations and indicated the actions they will take to address them.

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

The Arc Franklin-Hamilton (Adirondack)
Schedule of Submitted and Disallowed Program Costs
for the 3 Fiscal Years Ended June 30, 2021

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$3,062,171	\$963	\$3,061,208	B, G, N
Agency Administration	104,640	2,539	102,101	
Total Personal Services	\$3,166,811	\$3,502	\$3,163,309	
Other Than Personal Services				
Direct Care	\$546,957	\$57,928	\$489,029	A-F, H-M, O
Agency Administration	199,570	15,382	184,188	
Total Other Than Personal Services	\$746,527	\$73,310	\$673,217	
Total Program Costs	\$3,913,338	\$76,812	\$3,836,526	

Notes to Exhibit

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

- A. RCM Section I.4.E-F – Related parties include any party transacting or dealing with a program operator where the party has ownership of, control over, or significant influence on the management or operating policies of the program operator to the extent that an arm’s-length transaction may not be achieved. All transactions with related parties can only be reimbursed using actual documented costs of the owner or vendor. Invoices presented to the approved special education provider by the related party do not constitute “actual costs.” Actual costs are those the related party incurs and it is expected, upon audit, that the related party will produce evidence of its costs.
- 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.
- C. RCM Section II.3.A – Advertising costs for the purpose of recruiting students into programs or soliciting fundraising monies or donations are not reimbursable and remain non-allowable in the calculation of tuition rates. Promotional items of any type are not reimbursable. Examples include pens/pencils and notepads.
- D. RCM Section II.3.E – Travel logs must be kept by each employee indicating the dates of travel, destination, purpose, mileage, and related costs such as tolls, parking, and gasoline. Logs must have supervisory approval for the associated travel expense to be reimbursable.
- E. RCM Section II.16 – Political and charitable contributions and donations made by the program are not reimbursable.
- F. RCM Section II.22.A – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- G. RCM Section II.13.A.4.(b).i – For non-direct care staff, excluding those in the 100 Position Title Code series and Position Title Code 505 and 605 as defined by the CFR’s Appendix R, and for owners or related parties who are employed in any job title or combination of job titles by the entity operating the approved programs, compensation up to 1.000 FTE for that individual in total will be considered in the calculation of the portion of 1.000 FTE reimbursable in the tuition rates.
- H. 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 personal vehicles, and rental expenses for personal apartments, are not reimbursable unless specified otherwise in the RCM.
- I. RCM Section II.30.C – Costs for food, beverages, entertainment, and other related costs for meetings, including board meetings, are not reimbursable.
- J. RCM Section II.60.D.3 – The use of privately owned vehicles for program business by employees is reimbursable provided such use is documented and necessary.
- K. RCM Section II.60.D.5 – A vehicle log must be maintained to document fuel charges, mileage, and repair costs for all program-owned vehicles.
- L. 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 program(s) must be identified on invoices or associated documents.

- M. RCM Section III.1.J – Vehicle use must be documented with individual vehicle logs that include, at a minimum, the date, time of travel, to and from destinations, mileage between each, purpose of travel, and name of traveler; provided that for a vehicle solely used by maintenance staff in performing assigned duties such as building/property upkeep and repairs, a weekly log must be maintained and must include the beginning and ending dates of the week, the beginning and ending mileage, and a signature of a designated supervisor attesting that the logged mileage was used solely by maintenance/building staff, with a description of the maintenance activities that were performed using the vehicle that week. If the vehicle was assigned to an employee, the name of the employee to whom it was assigned should also be listed. The annual mileage for program purposes and repairs and maintenance costs for each vehicle should be summarized and maintained.
- N. CFR Manual Section 8.0 (page 8.5) – Expenses and revenues and FTE enrollment for approved 1:1 aides (preschool and school age) must be reported as a separate column (Program Code 9230).
- O. CFR Manual Section 15.6.38 – NYSARC provider chapters do not have to submit the supporting documentation because their parent agency, NYSARC, Inc., submits the supporting documentation for all its chapter members directly to the applicable State agencies.

Agency Comments - State Education Department



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

Dr. Jeffrey Matteson, Senior Deputy Commissioner for Education Policy
Education Building, Room 125 EB (518) 474-3862
89 Washington Avenue
Albany, NY 12234
jeffrey.matteson@nysed.gov

August 15, 2025

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

Dear Ms. Morrell:

The following is the New York State Education Department's (NYSED) response to the draft audit report, 2024-S-32, *The Arc Franklin-Hamilton d/b/a The Adirondack Arc (Adirondack) - 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 Adirondack's CFRs and to Adirondack's tuition reimbursement rates, as warranted."

We agree with this recommendation. NYSED will review the recommended disallowances as noted in the report and make adjustments to the reported costs to recover any overpayments, as appropriate, by recalculating tuition rates.

Recommendation 2:

"Remind Adirondack officials of the pertinent NYSED requirements that relate to the deficiencies we identified."

We agree with this recommendation. NYSED will continue to provide technical assistance whenever requested and will strongly recommend that Adirondack'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, NYSED will alert Adirondack to online CFR training that is available on SED's webpage. NYSED requires 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,

A handwritten signature in black ink, appearing to read "Jeffrey Matteson".

Jeffrey Matteson
Senior Deputy Commissioner for
Education Policy

cc: Christina Coughlin
Christopher Suriano
Suzanne Bolling
James Kampf
Jeanne Day
Nell Brady
Jennifer Finucan
William Meissner
Rebecca Jones
Mary Moore

Agency Comments - Adirondack



Achieve with us.®

The Adirondack Arc
12 Mohawk Street
Tupper Lake, NY 12986
518-359-3351
adirondackarc.org

Susan Alexander
President

Scott D. Stiles
Chief Executive Officer

August 14, 2025

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

Re: Audit 2024-S-32

Dear Ms. Morrell:

Thank you for providing the draft report regarding the audit of our Preschool program and for the professionalism and courtesy exhibited by your staff throughout the process. The findings and recommendations in the report will help our Agency going forward as they brought to our attention the need to adhere to both the New York State Consolidated Fiscal Reporting and Claiming Manual (CFR Manual) and the Reimbursable Cost Manual (RCM) when preparing our annual Consolidated Fiscal Report (CFR). They also identified some internal procedures of ours that need to be reviewed and improved going forward.

Personal Service Costs, Excess Executive Compensation

We agree that the FTE for this position should not exceed 1.0 on the CFR and we will be reporting it that way on future CFR's.

Personal Service Costs, 1:1 Aides

We agree with your findings that the stated expenses should have been included under Program Code 9230 not Program Code 9100 on the CFR and was an error on our part.

A family-based organization for people with intellectual and developmental disabilities

Other Than Personal Service Costs, Vehicle Costs

Although the CFR Manual does not require logs for vehicles that are only used in a single program, as was the case with the vehicles you identified, the RCM clearly requires them so we agree with the findings. We see that keeping logs for all vehicles is a good procedure and we will be instituting changes in this area to ensure logs are kept going forward.

Other Than Personal Service Costs, Related-Party Transactions

Although we believe the Parent Agency Administration Allocation costs we reported on the CFR should be allowable we understand that the documentation provided to the state agencies by our Parent company, NYSARC, Inc. d/b/a The Arc New York does not provide the level of detail SED requires to determine whether the costs are appropriate for reimbursement so we agree with the findings.

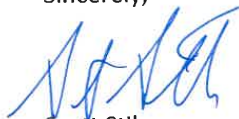
Other Than Personal Service Costs, Insufficiently Documented and/or Non-Allowable Expenses

We agree with the findings in this section that are the result of our inability to locate supporting documentation including receipts and other supporting documentation. Our internal procedures call for keeping all records for at least seven years so the fact that we couldn't find some things indicates the need to review this process to ensure all supporting documentation can be located in the future.

We also agree with the findings that some of the expenses we reported were ineligible according to the RCM and we will take steps to avoid including them in the Preschool expenses reported on future CFR's.

Please contact me if you have questions or require further documentation.

Sincerely,



Scott Stiles
CEO

Contributors to Report

Executive Team

Andrea C. Miller - *Executive Deputy Comptroller*

Tina Kim - *Deputy Comptroller*

Stephen C. Lynch - *Assistant Comptroller*

Audit Team

Nadine Morrell, CIA, CISM - *Audit Director*

Theresa Podagrosi - *Audit Manager*

Ann Marsh - *Audit Supervisor*

Pat Lance - *Examiner-in-Charge*

James Rappaport - *Senior Examiner*

Austin Smith - *Staff Examiner*

Contact Information

(518) 474-3271

StateGovernmentAccountability@osc.ny.gov

Office of the New York State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236



For more audits or information, please visit: www.osc.state.ny.us/state-agencies/audits