New York State Comptroller
THOMAS P. DiNAPOLI

State Education Department

William T. Dillon Child Study Center at St. Joseph's University, New York: Compliance With the Reimbursable Cost Manual

August 2026 | Report 2024-S-21
Prepared by the Division of State Government Accountability

Audit Highlights

Objective

To determine whether the costs reported by the William T. Dillon Child Study Center (Dillon Center) at St. Joseph's University, New York 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 Dillon Center's CFR for the fiscal year ended June 30, 2022, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2021.

About the Program

Dillon Center is a New York City-based not-for-profit organization authorized by SED to provide Integrated Special Class (over 2.5 hours per day) education services to children with disabilities who are 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. Dillon Center also operated other programs, including four general education classrooms and an after-school program. During the fiscal year ended June 30, 2022, Dillon Center served six students with special needs in the SED preschool cost-based program.

New York City Public Schools refers students to Dillon Center based on clinical evaluations and pays for its services using rates established by SED. The rates are based on the financial information that Dillon Center reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2022, Dillon Center reported approximately $1.3 million in reimbursable costs for the SED preschool cost-based program.

Key Findings

For the 3 fiscal years ended June 30, 2022, we identified $392,884 in reported costs that did not comply with the requirements in the RCM and the CFR Manual, as follows:

- $336,879 in personal service costs that did not meet RCM requirements, including $195,898 in compensation costs that were not supported, $137,152 in staffing expenses that were in excess of the approved staffing ratios, and $3,829 in compensation for non-program-related parking valets.
- $39,169 in unsupported or insufficiently supported other than personal service (OTPS) costs, including $37,035 in groundskeeping/maintenance costs, $1,665 in therapy session costs, $208 in overclaimed utility costs, $199 in gasoline charges, and $62 in petty cash transactions.

- $16,836 in other OTPS costs that did not meet RCM requirements:
    - $7,268 for overallocated legal and accounting/audit expenses.
    - $4,923 for non-audit services, including financial modeling and debt issuance, provided within 365 days of required audit work.
    - $2,263 for incorrect therapy session billing.
    - $1,794 in non-program-related expenses, including insurance for artwork and liability insurance for St. Joseph's University, New York students.
    - $588 in other non-allowable costs, including gifts and 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 Dillon Center's CFRs and to Dillon Center's tuition reimbursement rates, as warranted.
- Remind Dillon Center officials of the pertinent SED requirements that relate to the deficiencies we identified.

To Dillon Center:

- 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 6, 2026

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

Susan Straut Collard, Ph.D.
Executive Director
William T. Dillon Child Study Center
at St. Joseph's University, New York
239 Vanderbilt Avenue
Brooklyn, NY 11205

Dear Dr. Rosa and Dr. Straut Collard:

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 expenses submitted by William T. Dillon Child Study Center at St. Joseph's University, New York 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

Contents

Glossary of Terms

Term	Description	Identifier
SED	New York State Education Department	*Auditee*
CFR	Consolidated Fiscal Report	*Key Term*
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	*Policy*
Dillon Center	William T. Dillon Child Study Center at St. Joseph's University, New York	*Service Provider*
NYCPS	New York City Public Schools	*Agency*
OTPS	Other than personal service	*Key Term*
RCM	Reimbursable Cost Manual	*Policy*

Background

William T. Dillon Child Study Center (Dillon Center) at St. Joseph's University, New York is a New York City-based not-for-profit organization authorized by the State Education Department (SED) to provide Integrated Special Class (over 2.5 hours per day) education services to children with disabilities who are 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 fiscal year ended June 30, 2022, Dillon Center served six students with special needs in the SED preschool cost-based program. Dillon Center also operated other programs, including four general education classrooms and an after-school program.

New York City Public Schools (NYCPS) refers students to Dillon Center based on clinical evaluations and pays for Dillon Center's services using rates established by SED. The rates are based on financial information that Dillon Center reports to SED on its annual Consolidated Fiscal Reports (CFRs). To qualify for reimbursement, Dillon Center's reported costs must comply with SED's Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual), which provide guidance to special education providers on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses relating to multiple programs and entities. SED reimburses NYCPS 59.5% of the statutory rate, which NYCPS pays to Dillon Center.

For the 3 fiscal years ended June 30, 2022, Dillon Center reported approximately $1.3 million in reimbursable costs for the SED preschool cost-based program. This audit focused primarily on expenses claimed on Dillon Center's CFR for the fiscal year ended June 30, 2022, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2021.

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, 2022, we identified $392,884 in reported costs that did not comply with SED's requirements for reimbursement. These ineligible costs include $336,879 in personal service costs and $56,005 in other than personal service (OTPS) costs. See the Exhibit at the end of this 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 Dillon Center's internal controls over its compliance with SED's requirements.

Personal Service Costs

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the service provider's payroll, must be reported on the CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). For the 3 fiscal years ended June 30, 2022, Dillon Center reported $870,852 in personal service costs for the SED preschool cost-based program. We identified $336,879 of these costs that did not comply with the RCM's requirements for reimbursement.

Unsupported Compensation Costs

According to the RCM, compensation costs must be based on approved, documented payrolls that must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employees' time sheets must be signed or electronically approved and dated by the employee and employee's supervisor or personnel authorized to approve/date employee time sheets, and must be completed at least monthly. Furthermore, costs will not be reimbursable on field audit without appropriate written documentation.

For the 3 fiscal years ended June 30, 2022, we found $195,898 ($145,164 in salaries and $50,734 in fringe benefits) in unsupported compensation costs charged to the SED preschool cost-based program for 18 employees. Dillon Center officials did not provide time sheets for 10 of these employees, and time sheets provided for the other eight employees were often not signed, contained strikeouts and other edits to the entries, and/or conflicted with attendance records. We asked officials if they could provide other documentation to substantiate employees' work time and activities; however, the documentation provided, such as attendance records and work email activity, did not account for all the time for which these employees were paid. Officials also provided other documents such as student behavior charts and software login reports. However, these documents did not substantiate the employees’ work dates, times/hours, and activities. For example:

- Student behavior charts did not include employee names. After we brought this to Dillon Center officials’ attention, they resubmitted the charts with teachers’ names. Because the teachers’ names were not contemporaneously documented on the charts, we have no assurance the teachers worked for Dillon Center during the claimed time periods.
- Software login reports showed dates and times when employees logged into the software system by phone. However, the logins do not necessarily verify that the employees actually performed work for Dillon Center. For example, we found an employee with regular login activity for more than 4 months while on leave. In another example, the reports showed Dillon Center’s Executive Director was logged into the system during times when she was scheduled to teach at St. Joseph’s University, New York, where she was a full-time faculty member. Further, Dillon Center’s Executive Director did not maintain time and effort reports or other appropriate documentation reflecting her activities and allocation of time between Dillon Center and St. Joseph’s University, New York.

Consequently, we recommend that SED disallow the $195,898 ($145,164 in salaries and $50,734 in fringe benefits) in non-reimbursable compensation costs for the periods of work that were unsupported.

Excess Staffing Expenses

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

For the 3 fiscal years ended June 30, 2022, we compared teacher and teacher aides/assistants staffing levels reported on Dillon Center’s CFRs with the relevant SED approval letters and found Dillon Center exceeded the SED-approved staffing levels in all 3 fiscal years. Those excess staffing levels resulted in $137,152 ($98,076 in salaries and $39,076 in fringe benefits) in excess compensation for the 3 fiscal years ended June 30, 2022. Dillon Center officials attributed the excess staffing levels to their compliance with New York State health and safety guidance related to COVID-19. However, Dillon Center officials did not provide evidence of SED’s prior review and written approval for variations from the approved staffing ratios, as required by the RCM.

We recommend that SED disallow $137,152 ($98,076 in salaries and $39,076 in fringe benefits) in excess staffing costs charged to the SED preschool cost-based program.

Parking Valets

We identified three individuals who served as parking valets for St. Joseph’s University, New York. Therefore, the $3,829 ($2,648 in salaries and $1,181 in fringe benefits) in compensation allocated to the SED cost-based program for these individuals was not program-related and is recommended for disallowance.

Other Than Personal Service Costs

For the 3 fiscal years ended June 30, 2022, Dillon Center reported $426,176 in OTPS costs for its SED preschool cost-based program. To determine whether these expenses complied with SED's requirements for reimbursement, we judgmentally selected a sample of OTPS expenses totaling $142,700. We identified $56,005 of these expenses that did not comply with SED's reimbursement requirements.

Unsupported/Insufficiently Supported Costs

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 invoices listing the items purchased and the date of purchase. All payments for consultant services must be supported by itemized invoices that indicate the specific services and/or deliverables actually provided, and for each service and/or deliverable, the date provided and the total amount charged. The RCM also states that related service records must be maintained for each child and each service session, indicating the date, duration, nature, and scope of service provided, with the name, license or certification number, and signature of the related service provider. Additionally, a vehicle log must be maintained to document fuel charges, mileage, and repair costs for all program-owned vehicles. Logs must include details such as travel purpose, date, and destination. For a vehicle used solely by maintenance staff in performing assigned duties such as building/property upkeep and repairs, a weekly log must be maintained.

For the 3 fiscal years ended June 30, 2022, we identified $39,169 in unsupported or insufficiently supported OTPS expenses, as detailed below.

- $37,035 in contracted groundskeeping/maintenance costs for which invoices were either not provided or were missing required details such as service dates, and included the costs of valet-parking related services provided to St. Joseph's University, New York.
- $1,665 for therapy sessions that were not supported by session notes.
- $208 in overclaimed utility costs for which Dillon Center officials did not provide any supporting documentation.
- $199 in gasoline charges that were not supported by vehicle logs.
- $62 in unreceipted petty cash purchases.

Consequently, we recommend that SED disallow $39,169 in expenses that did not comply with SED's requirements.

Dillon Center officials did not agree with our findings and summarized additional documentation, including contracts and emails, regarding the groundskeeping/maintenance costs. However, required details such as service dates were still missing for these costs.

Other Non-Reimbursable 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. Entities operating approved programs must use the accrual basis of accounting, and any expenditure that cannot be directly charged to a specific program must be allocated across all programs and/or entities benefited by the expenditure. Allocation methods must be fair and reasonable. The cost of food provided to any staff, and personal expenses such as gifts, are not reimbursable. Additionally, costs associated with non-audit services provided by a registered public accounting firm, or any person associated with that firm, during or within 365 days of required audit work (prior to the beginning of the fiscal period being audited or after the date of the audit report issued for the audit period), are not reimbursable.

For the 3 fiscal years ended June 30, 2022, we identified $16,836 in other ineligible OTPS costs, as follows:

- $7,268 in overallocated legal and accounting/audit expenses. In addition to indirectly allocating a portion of legal and accounting/audit expenses to the SED preschool cost-based program as agency administration costs, Dillon Center directly allocated the $7,268 to the SED preschool cost-based program. However, because the legal and accounting/audit expenses were already allocated to agency administration costs, Dillon Center should not have made the additional direct allocation.
- $4,923 for non-audit services, including financial modeling and debt issuance, provided within 365 days of required audit work performed by the same accounting firm that audited St. Joseph's University, New York's financial statements (which includes Dillon Center) for the same fiscal year.
- $2,263 for incorrect therapy session billings, including sessions where:
  - The contractor was recorded as servicing a student who was indicated as absent.
  - The session rate exceeded the allowed rate, including sessions where the individual rate was used instead of the lower group rate for sessions with multiple students.
  - The session duration was less than the duration documented on the invoice.
- $1,794 in non-program-related expenses, including liability insurance for St. Joseph's University, New York students, insurance for paintings and other artwork, expenses related to contracted teachers who taught students in other programs, offsite storage used by St. Joseph's University, New York, and supplies and materials for another program.
- $588 in other non-allowable expenses, including gifts, food for staff, sales tax that was eligible for exemption, and costs claimed in the incorrect CFR reporting period.

We recommend that SED disallow $16,836 for the above costs that were not in compliance with the SED's requirements.

Recommendations

To SED:

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

To Dillon Center:

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

Audit Objective, Scope, and Methodology

The objective of our audit was to determine whether the costs reported by Dillon Center on its CFRs were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to SED's RCM and the CFR Manual. The audit focused primarily on expenses claimed on Dillon Center's CFR for the fiscal year ended June 30, 2022, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2021.

To accomplish our objective, we reviewed the RCM, the CFR Manual, Regulations of the Commissioner of Education, Dillon Center's CFRs, and relevant financial and program records for the audited period. We also interviewed Dillon Center officials and staff to obtain an understanding of Dillon Center'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 tested internal controls and compliance. We selected a judgmental sample of reported OTPS costs to determine whether they were supported, program-related, and reimbursable. Specifically, we reviewed OTPS costs that were considered high risk and reimbursable in limited circumstances based on prior audit report findings. Our samples were based on the relative materiality of the various categories of OTPS 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. For personal service costs, we included all Dillon Center employees in our review.

We obtained data from Dillon Center's general ledgers and other financial systems and 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 may be considered management functions for the 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 Dillon Center's compliance with the RCM and CFR Manual.

Reporting Requirements

We provided a draft copy of this report to both SED and Dillon Center 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. Dillon Center officials disagreed with the proposed disallowances. Our responses to certain of their remarks are embedded in Dillon Center's response as State Comptroller's Comments. Additionally, certain information that may be used to identify Dillon Center personnel has been redacted from the response.

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

William T. Dillon Child Study Center at St. Joseph's University, New York, Summary of Reported and Disallowed Program Costs for the 3 Fiscal Years Ended June 30, 2022

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining
Personal Services			
Direct Care	$673,433	$270,665	$402,768
Agency Administration	$197,419	$ 66,214	$131,205
Total Personal Services	**$870,852**	**$336,879**	**$533,973**
Other Than Personal Services			
Direct Care	$415,676	$53,926	$361,750
Agency Administration	$10,500	$2,079	$8,421
Total Other Than Personal Services	**$426,176**	**$56,005**	**$370,171**
Total Program Costs	**$1,297,028**	**$392,884**	**$904,144**

Notes A–E, M–O, U–V, and Y correspond with personal services.
Notes B, F–M, and P–Y correspond with other than personal services.

Notes to Exhibit

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

A. RCM Section I.6. – Staff-to-student ratios are defined in Part 200 of the Commissioner's Regulations. A specific approved program's student-to-staff ratio is also defined in that program's programmatic approval letter from SED's Office of Special Education. Direct care personnel in excess of, or not prescribed by such ratios, are not reimbursable, unless supported by the student's individualized education program (IEP) requirements and the program-generated summary data relating to those IEPs. An SED programmatic review and approval of variations from these ratios is required for costs of additional staff to be reimbursable.

B. RCM Section II – Costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented.

C. RCM Section II.13.A.4(b).iii – Executive Directors must have their time records signed or electronically approved by the agency's Controller, Compliance Officer, or staff employed in a similar capacity. (In the event that the Executive Director also serves as the agency's Controller, then a separate, independent individual within the agency's management structure may serve this function.)

D. RCM Section II.13.A.4(d) – For non-direct care staff under the 500 and 600 position title code series per Appendix R of the CFR Manual, and for owner or related parties who work in more than one entity and/or in more than one job title (including organizations that have a less than arm's-length relationship with the approved program), the allocation of compensation must be supported by time and effort reports or equivalent documentation that meets the following standards. They must:

   - Reflect contemporaneous time records of the actual activity of each employee.
   - Account for the total activity for which each employee is compensated.
   - Be prepared at least monthly and coincide with one or more pay periods.
   - Be signed or electronically approved and dated by the employee and employee's direct supervisor. Executive Directors must have their time records signed or electronically approved by the agency's Controller, Compliance Officer, or staff employed in a similar capacity. (In the event that the Executive Director also serves as the agency's Controller, then a separate, independent individual within the agency's management structure may serve this function.) Budget estimates or

other allocation methods determined before the services are performed are not adequate documentation for use in completing annual financial reports, but may be used for interim accounting purposes.

E. RCM Section II.13.A.4(e) – Direct care student-to-staff ratios shall not exceed the approved staffing levels supported by SED's program approval letter. Any net excess of staff will not be included as part of reimbursable costs in the program's reconciliation tuition rate. Such additional staff may be deemed reimbursable in the prospective rate upon amendment of the provider's program approval letter and demonstration to the satisfaction of the Commissioner that such costs were necessary.

F. RCM Section II.13.A.6 – Expenses of a personal nature, such as a residence or personal use of a car, known as perquisites (or perks), are not reimbursable.

G. RCM Section II.14.E – Costs associated with non-audit services provided by a registered public accounting firm or any person associated with that firm, during or within 365 days of required audit work (prior to the beginning of the fiscal period being audited or after the date of the audit report issued for the audit period), are not reimbursable. Such non-audit services include bookkeeping, financial information systems design, and actuarial services.

H. RCM Section II.20.A – Costs incurred for entertainment of officers or employees, or for activities not related to the program, or any related items such as meals, lodging rentals, transportation and gratuities, are not reimbursable.

I. RCM Section II.20.B – All personal expenses, such as personal travel, laundry, beverages, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on a personal vehicle, rentals for personal apartments, etc., are not reimbursable unless specified otherwise in the RCM.

J. RCM Section II.22.C – Costs of food provided to any staff including lunchroom monitors are not reimbursable.

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

L. 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.

M. RCM Section III.1 – Section 200.9 (d) of the Commissioner's Regulations requires entities operating approved programs to retain all pertinent accounting, allocation, and enrollment/attendance records supporting reported data directly or indirectly related to the establishment of tuition rates for 7 years following the end of each reporting year. Information relating to the acquisition of fixed assets, equipment, land, or building improvements, and any related financing arrangements and grants, must be retained as long as the facility is used by any education program the provider operates if this period exceeds 7 years. Costs will not be reimbursable on field audit without appropriate written documentation of costs.

N. RCM Section III.1.A – Compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed or electronically approved and dated by the employee and employee's supervisor or personnel authorized to approve/date employee time sheets and must be completed at least monthly.

O. 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.

P. RCM Section III.1.C.2 – For consultants, adequate documentation includes, but is not limited to, the consultant's résumé, a written contract that includes the nature of the services to be provided, the charge per day, and service dates. In the case of legal and accounting services, all payments must be supported by itemized invoices that indicate the specific services and/or deliverable actually provided and for each service and/or deliverable, the date provided and the total amount charged; for all other consultant services, all payments must be supported by itemized invoices that indicate the specific services and/or deliverable actually provided; and for each service and/or deliverable, the date(s), number of hours provided, fee per hour, and total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served, the actual dates of service, and the number of hours of service to each child on each date.

Q. 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.

R. RCM Section III.1.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.

S. RCM Section III.1.F.2 – Related service records must be maintained for each child and each service session, indicating the date, duration, nature, and scope of service provided, with the name, license, or certification number, and signature of the related service provider.

T. RCM Section III.1.J.2 – Vehicle use must be documented with individual vehicle logs that include at a minimum: the date, time of travel, destinations to and from, 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. This log must include the beginning and ending dates of the week, starting 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 employee's name must also be listed. The annual mileage for program purposes and repairs and maintenance costs for each vehicle should be summarized and maintained.

U. RCM Section III.1.M.1 – Any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure.

V. RCM Section III.1.M.2 – Entities operating programs must use allocation methods that are fair and reasonable, as determined by the Commissioner's fiscal representatives. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year for review upon audit for a minimum of 7 years. Allocation percentages should be reviewed annually and adjusted, as necessary.

W. RCM Section III.2.B – The accrual basis of accounting is required for all programs receiving Article 81 and/or Article 89 funds.

X. CFR Manual Section 3 (Page 3.3) – Only expenses and revenues for the proper CFR reporting period should be included in the CFR. CFRs submitted with expenses and revenues for a different reporting period will not be accepted.

Y. CFR Manual Appendix I (Page 42.2) – Service providers should note that all attempts should be made to directly charge an expense to the appropriate cost center.

SED Response

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

Dr. Jeffrey Matteson, Senior Deputy Commissioner for Education Policy
Education Building, Room 2M EB (518) 474-3862
89 Washington Avenue
Albany, NY 12234
jeffrey.matteson@nysed.gov

April 2, 2026

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

Dear Mr. Sifontes:

The following is the New York State Education Department's (SED) response to the draft audit report, 2024-S-21, *William T. Dillon Child Study Center (Dillon Center) - 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 Dillon Center's CFRs and to Dillon Center's tuition reimbursement rates, as warranted."

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

Recommendation 2:

"Remind Dillon Center 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 that Dillon Center'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 the Dillon Center to online CFR training that is available on SED's webpage. SED 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,

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

Seyfarth Shaw LLP
620 Eighth Avenue
New York, New York 10018
T (212) 218-5500
F (212) 218-5526

kwinnick@seyfarth.com
T (212) 218-5510

www.seyfarth.com

April 22, 2026

VIA E-MAIL

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

Re: Audit #2024-S-21

Dear Dr. Rosa:

This office represents the William T. Dillon Child Study Center at St. Joseph's University, New York (the "Dillon Center"), in the above-referenced matter. We write to object to and respond to the recommendation of the Division of State Government Accountability (the "Division") to disallow reimbursement of $392,884 in reported costs (the "Recommendation"). As detailed below—and as previously communicated to the Division—Dillon has corroborated each and every cost that the Division now recommends be disallowed.

Background

Founded in 1934, the Dillon Center is a not-for-profit educational institution that serves a dual mission: (1) providing high-quality early childhood education for young children; and (2) functioning as a laboratory and demonstration center for students and professionals in the fields of child development and early childhood education. The Dillon Center specializes in educating children with learning impairments between the ages of three and five.

From September 2024 to June 2025, the Division's auditors were on site at the Dillon Center and conducted their work there over the course of approximately 10 months. Following this review, the Division issued Preliminary Findings initially recommending the disallowance of $1,409,777 in compensation costs. The Preliminary Findings proposed that the State Education Department disallow these costs based on two principal findings.

On September 26, 2025, the Dillon Center submitted a detailed response to the Preliminary Findings, as summarized below.

First, the auditors concluded that the Dillon Center failed to substantiate the time worked by certain employees. The auditors asserted that the Dillon Center did not maintain records demonstrating when these individuals worked.

As the Dillon Center explained in its response, during the audit period—covering the three fiscal years preceding June 2022—it utilized an ADP software program known as TimeSaver to track employee attendance. ADP subsequently discontinued this program, which limited the Dillon Center's ability to access all historical ADP data. Nonetheless, the Dillon Center was able to produce records reflecting when the relevant employees were present (i.e., working), on holiday (i.e., not working), or otherwise absent. Specifically, the Excel spreadsheets provided to the auditors documented employee attendance status on each applicable date.

The auditors nonetheless concluded that "these records were pre-filled and not signed/certified by the employees or their supervisors." (Prelim. Findings at 3–4.) Upon inquiry, the undersigned learned that the auditors reached this conclusion after purported conversations with unidentified "ADP officials," who allegedly stated that attendance records for salaried employees within TimeSaver were automatically populated and therefore did not demonstrate that an employee was actually on site. (See J. Mack email dated July 9, 2025.)

That characterization is inaccurate. The Dillon Center produced emails and policies demonstrating that all TimeSaver entries were required to be—and in fact were—approved by a supervisor or manager. (*See, e.g.*, Ex. 1 to Affidavit of [Redacted]; ADP TimeSaver Manager Training PowerPoint; St. Joseph's Time Entry Job Aid for TimeSaver.) If an entry was not approved timely, the relevant supervisor or manager received reminders to do so. All timecards for the employees in the Audited Sample during the audit period were approved by a supervisor or manager, as attested in the Affidavit of [Redacted].

State Comptroller's Comment – The characterization was modified for the draft report based on additional information that Dillon Center provided in response to our preliminary findings.

The Dillon Center's Employee Handbook also established that timecards are (and were) reviewed and approved by supervisors:

State Comptroller's Comment – Dillon Center's Employee Handbook does not establish that timecards are (and were) reviewed and approved by supervisors. Rather, as shown in the excerpt from the Handbook that Dillon Center included in its response, all timecards are *to be* reviewed and approved by the employee's supervisor or designated representative on each Friday of the biweekly payday.

Timekeeping Records

> *A timecard is to be completed by all Full Time, Part-Time and Modified Time personnel. The timecard is to be reviewed by the employee's supervisor or by the supervisor's designated representative to ensure that the information recorded is accurate. All timecards are to be reviewed and approved by the employee's supervisor or designated representative on each Friday of the bi-weekly payday.*
>
> *If an employee is absent for the reporting period, the supervisor will complete and sign off on the timecard on the employee's behalf.*

Regardless, the Dillon Center produced multiple categories of documents and information substantiating the relevant employees' work time and activities, including the following:

- ADP attendance data for [Redacted], [Redacted], [Redacted], [Redacted], and [Redacted], reflecting when they were present, on vacation, out sick, or were otherwise absent.

  State Comptroller's Comment – We reviewed the ADP attendance records that were provided. However, they did not account for all the time for which these employees were paid.

- Timecards generated through the Lillio mobile application (formerly known as HiMama) for [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], and [Redacted]. See STJ-000001–000206. Teachers clocked in and out using this application, which also allowed parents to monitor when teachers were present at the Dillon Center.

  State Comptroller's Comment – These records showed dates and times when employees logged into the software system by phone. However, the logins do not necessarily verify that the employees actually performed work for Dillon Center. For example, we found an employee with regular login activity for more than 4 months while on leave. In another example, these records showed Dillon Center's Executive Director was logged into the system during times when she was scheduled to teach at St. Joseph's University, New York, where she was a full-time faculty member.

- Teacher Session Notes for [Redacted], [Redacted], and [Redacted], documenting the work they performed. See STJ-000207–000406. On each instructional day, teachers are required to prepare notes for each student pursuant to prescribed parameters and developmental domains.

  State Comptroller's Comment – The session notes provided did not contain teacher names and therefore did not substantiate these employees' work dates, times, and activities.

- Student assessments completed by [Redacted]. See STJ-000407–000423.

  State Comptroller's Comment – The student assessments provided did not contain work dates or times. Therefore, they did not substantiate this employee's work dates and times.

- Performance evaluations for [Redacted], [Redacted], [Redacted], [Redacted],

[Redacted], and [Redacted], reflecting their work and accomplishments during the audit years. See STJ-000424–000437 and STJ-001097–001157.

State Comptroller's Comment – The performance evaluations provided did not contain work dates or times. Therefore, they did not substantiate these employees' work dates and times.

- Student attendance records for the classes taught by [Redacted], [Redacted], and [Redacted]. See STJ-000438–000457.

  State Comptroller's Comment – Teachers' attendance was not documented in these student attendance records. Therefore, these employees' work dates and times were not substantiated.

- Email correspondence records showing emails sent to and from [Redacted], [Redacted], [Redacted], and [Redacted]. See STJ-000458–000465.

  State Comptroller's Comment – We accepted portions of these records for time periods in which the email correspondence demonstrated sufficient work activity for these employees.

Regarding the other, non-teacher employees under review, Dillon produced the following:

- ADP attendance data for [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], and [Redacted]. *See* SJT – 000466.

  State Comptroller's Comment – We reviewed the ADP attendance records that were provided. However, they did not account for all the time for which these employees were paid.

- Verified timesheets for [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], and [Redacted]. *See* STJ – 000467 – 001096.

Each of the verified timesheets includes clock-in and clock-out times, as well as the employee's and supervisor's signatures. For example:

State Comptroller's Comment – These time sheets were often not signed, contained strikeouts and other edits to the entries, and/or conflicted with attendance records. Even the example Dillon Center included below has missing information—neither the employee nor the supervisor dated the time sheet, even though the time sheet contains designated fields for them to do so. The Manual requires that employee time sheets be dated by the employee and the employee's supervisor or personnel authorized to approve/date employee time sheets. Moreover, the Manual states that payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. The missing dates on the time sheet below do not substantiate that this occurred.

ST JOSEPH'S COLLEGE HOURLY AND OVERTIME EMPLOYEE TIMESHEET

WEEK ENDING	11/1/2020	DEPT. NAME	Plant
NAME:	[Redacted]	DEPT NO:	5800
SOCIAL SECURITY NO:		CAMPUS/DIV.	BROOKLYN

DAYS	TIME IN	TIME OUT	LESS LUNCH	REG. HRS.	OVER TIME
MONDAY	7	330			
TUESDAY	7	330			
WEDNESDAY	7	330			330-430
THURSDAY	7	330			
FRIDAY	7	330			
SATURDAY					
SUNDAY					
			Total Hrs.	40	
			Grand total		

[Redacted] Employee Signature — Date

[Redacted] Supervisor Signature — Date / /

FOR PAYROLL USE ONLY

FILE NO. — DATE

Reg. Hrs. — Total hrs.

(*See* STJ – 000594.)

Second, the Auditors found that the Dillon Center "exceeded its approved SED preschool cost-based program staff-to-student ratios by 2.203 full-time equivalents for the three fiscal years ended June 30, 2022." However, this variance was the result of COVID-related mandates issued by New York State. The Dillon Center should not be penalized for complying with state-issued health and safety requirements.

State Comptroller's Comment – Dillon Center officials did not provide evidence of SED's prior review and written approval for variations from the approved staffing ratios, as required by the RCM.

In response to the Dillon Center's rebuttal, the Division now recommends disallowing reimbursement of only $392,884 in reported costs. While this represents a significant reduction from the approximately $1.4 million the Division initially sought to disallow, the revised recommendation remains unjustified.

State Comptroller's Comment – The disallowance of $392,884 is justified. The preliminary disallowance of approximately $1.4 million was reduced to $392,884 for the draft report, based on additional information provided by Dillon Center.

Specific Response to the Division's Recommendation

The bulk of the costs that the Division recommends disallowing relate to labor costs for various employees. For example, the Division seeks to disallow labor costs for teachers [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], [Redacted], and [Redacted], as well as for Director [Redacted].

The Dillon Center, however, produced extensive documentation substantiating the work performed by these individuals, including:

- ADP attendance data for [Redacted, [Redacted, [Redacted, and [Redacted;

  State Comptroller's Comment – We reviewed the ADP attendance records that were provided. However, they did not account for all the time for which these employees were paid.

- Lillio Time cards generated for [Redacted, [Redacted, [Redacted, and [Redacted. *See* STJ – 000001 – 000206.

  State Comptroller's Comment – These records showed dates and times when employees logged into the software system by phone. However, the logins do not necessarily verify that the employees actually performed work for Dillon Center. For example, we found an employee with regular login activity for more than 4 months while on leave. In another example, these records showed Dillon Center's Executive Director was logged into the system during times when she was scheduled to teach at St. Joseph's University, New York, where she was a full-time faculty member.

- Teacher Session Notes for [Redacted, [Redacted and [Redacted, establishing work they performed. *See* STJ – 000207 – 000406.

  State Comptroller's Comment – The session notes provided did not contain teacher names and therefore did not substantiate these employees' work dates, times, and activities.

- Performance evaluations for [Redacted, [Redacted, [Redacted, [Redacted, [Redacted, and [Redacted, which show what they accomplished for the Audit Years. *See* STJ – 000424 – 000437, 001097 - 001157.

  State Comptroller's Comment – The performance evaluations provided did not contain work dates or times. Therefore, they did not substantiate these employees' work dates and times.

- E-mail data showing all emails sent to/from [Redacted, [Redacted, [Redacted, and [Redacted. *See* STJ – 000458 – 000465.

  State Comptroller's Comment – We accepted portions of these records for time periods in which the email correspondence demonstrated sufficient work activity for these employees.

Thus, Dillon not only produced time and attendance records, but also submitted abundant independent evidence demonstrating that these teachers performed work during the period in question.

State Comptroller's Comment – The documentation provided did not account for all the time for which these employees were paid.

With respect to non-teaching staff (including [Redacted], [Redacted], [Redacted], and others), Dillon produced both ADP attendance data and verified timesheets. The Division is therefore incorrect in asserting that Dillon "did not provide time sheets for these employees." (Recommendation at 8.)

State Comptroller's Comment – We revised our report to note that Dillon officials provided time sheets for eight employees. However, these time sheets were often not signed, contained strikeouts and other edits to the entries, and/or conflicted with attendance records. Even the example embedded within this response has missing information—neither the employee nor the supervisor dated the time sheet, even though the time sheet contains designated fields for them to do so. The Manual requires that employee time sheets be dated by the employee and the employee's supervisor or personnel authorized to approve/date employee time sheets. Moreover, the Manual states that payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. The missing dates on the time sheet embedded within this response do not substantiate that this occurred.

Accordingly, Dillon submits that SED should reject the Division's recommendations in their entirety and fully reimburse Dillon for all claimed expenses, each of which was fully supported by contemporaneous documentation.

State Comptroller's Comment – Our recommendations are justified. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. We also note that this response does not address the $56,005 in OTPS expenses (included in our audit report) that did not comply with SED's reimbursement requirements. Therefore, the reason(s) why Dillon Center contends that these expenses should be fully reimbursed is unclear.

* * *

We thank you for your time and attention to this matter.

Respectfully submitted,

SEYFARTH SHAW LLP

/s/ Kyle D. Winnick

Kyle D. Winnick

Cc: Susan Straut-Collard (via e-mail)

Contact

Office of the New York State Comptroller
110 State Street
Albany, New York 12236

(518) 474-4044

www.osc.ny.gov

Prepared by the Division of State Government Accountability

Executive Team

Andrea C. Miller – Executive Deputy Comptroller
Tina Kim – Deputy Comptroller
Stephen C. Lynch – Assistant Comptroller

Audit Team

Kenrick Sifontes – Audit Director
Joseph Gillooly – Audit Manager
Rita Verma-Kumar – Audit Supervisor
Jeremy Mack – Examiner-in-Charge
Celedonia Deaver – Senior Examiner
Molly Racsko – Staff Examiner

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