

State Education Department

Charles R. Drew Early Childhood Center, Inc.: Compliance With the Reimbursable Cost Manual

Report 2024-S-19 | January 2026

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 Charles R. Drew Early Childhood Center, Inc. (Charles R. Drew) 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 Charles R. Drew's CFR for the fiscal year ended June 30, 2020, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2019.

About the Program

Charles R. Drew is a New York City-based not-for-profit organization authorized by SED to provide full-day Special Class and full-day Integrated Special Class to children with disabilities who are between the ages of 3 and 5 years. For the purpose of this report, these programs are referred to as the SED preschool cost-based programs. In addition, Charles R. Drew operated two other SED-approved programs: Special Education Itinerant Teacher services in the fiscal year ended June 30, 2018 and 1:1 Aides in the 3 fiscal years ended June 30, 2020. However, payments for services under these two programs are based on fixed fees, as opposed to the cost-based rates established through financial information reported on CFRs. Charles R. Drew operated several other programs, including a Universal Pre-Kindergarten and a New York City Administration for Children's Services (ACS) Early Learn program, both funded by the New York City Public Schools (NYCPS), formerly the New York City Department of Education. During the fiscal year ended June 30, 2020, Charles R. Drew served approximately 54 students in the SED preschool cost-based programs.

NYCPS refers students to Charles R. Drew based on clinical evaluations and pays for its services using rates established by SED. The rates are based on the financial information that Charles R. Drew reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2020, Charles R. Drew reported approximately \$3.2 million in reimbursable costs for the SED preschool cost-based programs.

Key Findings

For the 3 fiscal years ended June 30, 2020, we identified \$536,185 in reported costs that did not comply with the requirements in the RCM and the CFR Manual, as follows:

- \$196,602 in excess personal service costs that were inappropriately charged to the SED preschool cost-based programs. These costs should have been charged to the ACS Early Learn program.
- \$95,691 in staffing expenses in excess of SED's approved staffing ratios.
- \$82,454 in unsupported or insufficiently documented other than personal service costs.
- \$73,296 in unsupported, insufficiently documented, and non-allowable personal service costs.
- \$68,242 in ineligible contracted direct care costs.
- \$19,900 in other costs that did not meet RCM requirements:
 - \$11,068 in travel and other expenses officials indicated as non-reimbursable costs that were still claimed on the CFR.

- \$6,063 in non-program-related costs.
- \$2,769 in miscellaneous expenses such as expenses claimed in the incorrect CFR reporting period (\$1,637), food for staff (\$813), and raffle tickets and flower arrangements (\$319).

Key Recommendations

To SED:

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

To Charles R. Drew:

- 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**

January 28, 2026

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

Lisa Cogswell-Jones
Executive Director
Charles R. Drew Early Childhood Center, Inc.
109-45 207th Street
Queens Village, NY 11429

Dear Dr. Rosa and Ms. Cogswell-Jones:

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 Charles R. Drew Early Childhood Center, 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>
ACS	New York City Administration for Children's Services	<i>City Agency</i>
CFR	Consolidated Fiscal Report	<i>Key Term</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
Charles R. Drew	Charles R. Drew Early Childhood Center, Inc.	<i>Service Provider</i>
FTE	Full-time equivalent	<i>Key Term</i>
NYCPS	New York City Public Schools	<i>Agency</i>
OTPS	Other than personal service	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>

Background

Charles R. Drew Early Childhood Center, Inc. (Charles R. Drew) is a New York City-based not-for-profit organization authorized by the State Education Department (SED) to provide full-day Special Class and full-day Integrated Special Class to children with disabilities who are between the ages of 3 and 5 years. For the purpose of this report, these programs are referred to as the SED preschool cost-based programs. During the fiscal year ended June 30, 2020, Charles R. Drew served approximately 54 students in the SED preschool cost-based programs. Charles R. Drew also operated two other SED-approved programs: Special Education Itinerant Teacher services in the fiscal year ended June 30, 2018 and 1:1 Aides in the 3 fiscal years ended June 30, 2020. However, payments for services under these two programs are based on fixed fees, as opposed to the cost-based rates established through financial information reported on the annual Consolidated Fiscal Reports (CFRs). In addition, Charles R. Drew operated several other programs, including a Universal Pre-Kindergarten and a New York City Administration for Children's Services (ACS) Early Learn program, both funded by New York City Public Schools (NYCPS), formerly the New York City Department of Education.

NYCPS refers students to Charles R. Drew based on clinical evaluations and pays for Charles R. Drew's services using rates established by SED. The rates are based on financial information that Charles R. Drew reports to SED on its annual CFRs. To qualify for reimbursement, Charles R. Drew'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 Charles R. Drew.

For the 3 fiscal years ended June 30, 2020, Charles R. Drew reported approximately \$3.2 million in reimbursable costs for the SED preschool cost-based programs. This audit focused primarily on expenses that Charles R. Drew claimed on its CFR for the fiscal year ended June 30, 2020, and certain expenses reported on its CFRs for the 2 fiscal years ended June 30, 2019.

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, 2020, we identified \$536,185 in reported costs that did not comply with SED's requirements for reimbursement. These ineligible costs include \$365,589 in personal service costs and \$170,596 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 Charles R. Drew's internal controls over its compliance with SED's guidelines.

Personal Service Costs

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the service provider's payroll, must be reported on the CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). For the 3 fiscal years ended June 30, 2020, Charles R. Drew reported approximately \$2.5 million in personal service costs for the SED preschool cost-based programs. We identified \$365,589 in personal service costs that did not comply with the RCM's requirements for reimbursement.

Excessive Costs

According to the CFR Manual, if a preschool program employs a special education teacher and at least one para-professional in a classroom consisting of both disabled and non-disabled students—or if it has separate classes for each group in the same location—the program must report related costs under SED's Preschool-Integrated Special Class (Program Code 9160) on the CFR. The CFR Manual also states that revenue the provider receives for the reporting period (e.g., offsetting revenue) must be reported on separate line(s) on the CFR. In addition, the CFR Manual instructs providers to report all costs of day care in excess of the approved duration of the integrated program separately from the SED preschool cost-based programs; that is, under Program Code 9164 (Day Care Cost Excess Of Integrated) and not under Program Code 9160.

Charles R. Drew serves both children with disabilities and children without disabilities in its full-day Integrated Special Class program. The non-disabled children are part of their day care program called ACS Early Learn. We calculated that \$196,602 in costs of day care in excess of the approved duration of the Integrated program (Program Code 9160) were inappropriately charged to the Integrated program rather than to Program Code 9164. The day care program operated from 7 a.m. to 6 p.m. (11 hours) and the Integrated program operated from 9 a.m. to 3 p.m. (6 hours). The costs of the 5 hours of daily excess day care services should have been reported under Program Code 9164. However, Charles R. Drew inappropriately reported these costs under Program Code 9160.

Therefore, we recommend that SED disallow a total of \$196,602 (\$171,711 in salaries and \$24,891 in fringe benefits) in compensation costs that were incorrectly charged to the SED preschool cost-based programs.

Excess Student-to-Staff Ratio

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 personal service costs in excess of the approved ratios are not reimbursable.

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

- For the fiscal year ended June 30, 2020, the SED-approved teacher staffing level for Charles R. Drew's Preschool Special Class (over 2.5 hours per day) program was 0.89 full-time equivalents (FTEs). However, Charles R. Drew reported 1.02 FTEs on its CFR. Additionally, the SED-approved teacher aide/assistant staffing level for Charles R. Drew's Preschool Special Class program was 1.78 FTEs. However, Charles R. Drew reported 2.15 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$23,142 (\$18,934 in salaries and \$4,208 in fringe benefits).
- For the fiscal year ended June 30, 2020, the SED-approved teacher staffing level for Charles R. Drew's Preschool Integrated Special Class (over 2.5 hours per day) program was 2.67 FTEs. However, Charles R. Drew reported 3.16 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$30,996 (\$27,020 in salaries and \$3,976 in fringe benefits).
- For the fiscal year ended June 30, 2019, the SED-approved teacher staffing level for Charles R. Drew's Preschool Special Class (over 2.5 hours per day) program was 0.89 FTEs. However, Charles R. Drew reported 0.97 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$4,989 (\$4,393 in salaries and \$596 in fringe benefits).
- For the fiscal year ended June 30, 2018, the SED-approved teacher staffing level for Charles R. Drew's Preschool Integrated Special Class (over 2.5 hours per day) program was 2.67 FTEs. However, Charles R. Drew reported 3.24 teacher FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$36,564 (\$33,672 in salaries and \$2,892 in fringe benefits).

We recommend that SED disallow \$95,691 in excess compensation costs (\$84,019 in salaries and \$11,672 in fringe benefits) for the 3 fiscal years ended June 30, 2020.

Unsupported/Insufficiently Documented and Non-Allowable Expenses

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. 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. Furthermore, costs will not be reimbursable on field audit without appropriate written documentation.

For the 3 fiscal years ended June 30, 2020, we identified \$73,296 in compensation costs that did not comply with the RCM's requirements, as follows:

- \$29,363 for seven employees claimed on the CFR for which no support was provided or the support provided was insufficient. For example, \$11,921 was claimed for an individual employed as an Education Director. However, we were not provided with sufficient documentation to support this individual performed work for the SED preschool cost-based programs.
- \$19,819 in non-program-related costs. These costs were related to Special Education Itinerant Teacher services—an SED fixed-fee preschool program.
- \$12,878 in insufficiently documented fringe benefits as well as salary expenses for seven employees that we were unable to reconcile from the CFR to the general ledger.
- \$11,236 for non-program-related compensation for three employees:
 - One employee did not perform work for the SED preschool cost-based programs. Instead, this employee worked for Charles R. Drew's ACS Early Learn program.
 - Two employees were compensated for work performed for Charles R. Drew's Early Learn program. However, the expenses were incorrectly charged to the SED preschool cost-based programs.

Consequently, we recommend that SED disallow the \$73,296 in non-reimbursable compensation costs.

Other Than Personal Service Costs

For the 3 fiscal years ended June 30, 2020, Charles R. Drew reported \$717,994 in OTPS costs for its SED preschool cost-based programs. To determine whether these expenses complied with SED's requirements for reimbursement, we judgmentally selected a sample of OTPS expenses totaling \$648,809. We determined that \$170,596 of these expenses did not comply with SED's reimbursement requirements.

Unsupported/Insufficiently Documented Costs

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. Furthermore, costs will not be reimbursable on field audit without appropriate written documentation. 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.

We identified \$82,454 in various expenses claimed on the CFR for which officials could not provide support and/or the support was insufficient, as follows:

- \$34,232 in food expenses that we were unable to reconcile from the CFR to the general ledger.
- \$12,837 in property and liability insurance expenses for which there was no support.
- \$9,659 in supplies and materials expenses. The documentation provided did not support the total costs reported on the CFR.
- \$7,410 in unsupported expenses reported on the "Other (Detail Required)" line item on the CFR.
- \$6,635 in expenses related to Charles R. Drew's Home Depot credit card that went into debt collection. School officials did not provide us with details related to these expenses and, therefore, we have no assurance these expenses were related to the SED preschool cost-based programs.
- \$3,923 in miscellaneous expenses such as travel, staff development, and bank charges that were either not supported or for which the support provided was insufficient.
- \$3,292 in repairs and maintenance expenses for which there was no support.
- \$2,784 in telecommunications equipment and depreciation expenses for which there was no support.
- \$1,682 in audit/legal and accounting expenses that were either not supported or for which the support provided was insufficient.

Consequently, we recommend that SED disallow \$82,454 for these undocumented/insufficiently documented expenses.

Non-Allowable Contracted Direct Care 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. Costs for contracted direct care include services provided by consultants or contractors to students who are eligible for related services

(e.g., speech, physical, or occupational therapy). According to the RCM, adequate consultant 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. All payments 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(s), number of hours provided, and fee per hour; and the total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served. The RCM also states all 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.

The RCM also states that costs of consultants' services are reimbursable provided that paid consultants who provide services to approved programs for students with disabilities are not officers or employees of the entity. In addition, the CFR Manual states that CFRs submitted with expenses for a different reporting period will not be accepted. Further, travel expenses of any non-employees (consultants, independent contractors, etc.) are not reimbursable.

On its CFRs for the 3 fiscal years ended June 30, 2020, Charles R. Drew claimed payments to nine contracted direct care providers totaling \$387,320. We identified \$68,242 in contracted direct care costs that were ineligible for reimbursement, as follows:

- \$19,357 in unsupported expenses. Charles R. Drew reported \$387,320 in contracted direct care costs on its CFRs for the 3 fiscal years ended June 30, 2020; however, it provided support for only \$367,963.
- \$14,705 in non-program-related expenses, such as student evaluations, that were charged to the SED preschool cost-based programs.
- \$14,362 in expenses that were reported in the incorrect CFR reporting period.
- \$12,715 in excessive expenses incurred for sessions that involved groups of students. The provider charged the higher individual rate for the sessions rather than the lower group rate required by SED.
- \$4,945 in excess compensation expenses. In fiscal years 2017–18 and 2019–20, Charles R. Drew paid an employee for providing services as a speech therapist and reported their compensation under the Personal Services line item on the CFR. However, in fiscal year 2018–19, Charles R. Drew reported this employee under the Contracted Direct Care and Clinical Personal Services line item on its CFR and paid them at the higher contracted rate although the employee provided the same services.
- \$1,630 in parking expenses paid for two contracted therapists.
- \$528 for make-up sessions that had no supporting documentation.

We recommend that SED disallow \$68,242 in contracted direct care costs that did not comply with SED requirements.

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. Certain costs such as food for staff, flowers, or fundraising activities are not reimbursable. The RCM also states that entities operating approved programs must use the accrual basis of accounting. Further, the CFR Manual states that CFRs submitted with expenses for a different reporting period will not be accepted. For the 3 fiscal years ended June 30, 2020, we identified \$19,900 in OTPS costs that were ineligible for reimbursement, such as:

- \$11,068 in travel and other expenses claimed on the CFR that Charles R. Drew officials subsequently acknowledged were non-reimbursable. We note that SED already made partial adjustments to this amount—for the portion attributed to non-reimbursable food.
- \$6,063 in non-program-related costs related to Charles R. Drew's Brooklyn location, which did not operate any SED preschool cost-based programs during our audit scope.
- \$1,637 for expenses claimed in the incorrect CFR reporting period.
- \$813 in food for staff.
- \$319 in raffle tickets (for the purpose of soliciting donations) and flower arrangements, which are non-reimbursable.

Consequently, we recommend that SED disallow \$19,900 that did not comply with the RCM requirements.

Recommendations

To SED:

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

To Charles R. Drew:

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 Charles R. Drew 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 Charles R. Drew's CFR for the fiscal year ended June 30, 2020, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2019.

To accomplish our objective, we reviewed the RCM, CFR Manual, Regulations of the Commissioner of Education, Charles R. Drew's CFRs, and relevant financial and program records for the audited period. We also interviewed Charles R. Drew officials and staff to obtain an understanding of Charles R. Drew'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 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. 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 Charles R. Drew'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 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 Charles R. Drew's compliance with the RCM and CFR Manual.

Reporting Requirements

We provided a draft copy of this report to both SED and Charles R. Drew 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. Charles R. Drew officials accepted some of our conclusions but disagreed with certain proposed disallowances. Our responses to certain remarks are embedded in Charles R. Drew's response as 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

Charles R. Drew Early Childhood Center, Inc.
Summary of Reported and Disallowed Program Costs
for the 3 Fiscal Years Ended June 30, 2020

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$2,231,136	\$336,199	\$1,894,937	A, B, D, I, J, Q-T
Agency Administration	300,610	29,390	271,220	
Total Personal Services	\$2,531,746	\$365,589	\$2,166,157	
Other Than Personal Services				
Direct Care	\$587,644	\$134,982	\$452,662	B, C, E-I, K-P
Agency Administration	130,350	35,614	94,736	
Total Other Than Personal Services	\$717,994	\$170,596	\$547,398	
Total Program Costs	\$3,249,740	\$536,185	\$2,713,555	

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 Charles R. Drew 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. A Department 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.3 – The intended outcome of publications and public relations endeavors should be that of providing information and not for the purpose of recruiting students into programs or soliciting fundraising monies or donations.
- D. RCM Section II.13.A – Compensation for personal services includes all salaries and wages, as well as fringe benefits and pension plan costs. Accrued vacation/sick leave is not reimbursable. Payments for vacation/sick leave, including lump sum payments made upon retirement that are required by law or by employer-employee agreement and meet the criteria listed in item (B), are reimbursable when paid and reported in the 2017–18 financial reports. Refer to Section III.1.A. Recordkeeping – Payroll. A. Salaries and Wages – Salaries include all taxable and non-taxable salaries and wages paid or accrued to employees on the agency payroll, including severance pay to regular employees, payment for services (fee for service) and per diem pay.
- E. RCM Section II.13.A.6 – Expenses of a personal nature are not reimbursable.
- F. RCM Section II.14.A.3 – Costs of consultants' services are reimbursable provided that paid consultants providing services to approved programs for students with disabilities are not officers or employees of the entity.
- G. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- H. RCM Section II.60.F – Travel expenses of spouses, family members, or any non-employee (consultants, independent contractors, etc.) are not reimbursable unless the spouse or family member is an employee of the entity(ies) and a legitimate business purpose exists for them to travel.
- I. 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. Costs will not be reimbursable on field audit without appropriate written documentation of costs.
- J. Section III.1.A – Compensation costs must be based on approved, documented payrolls. Payroll expense must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Actual hours of service are the preferred statistical basis upon

which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies.

- K.** RCM Section III.1.C.2 – Adequate consultant 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, and fee per hour; and the total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served.
- 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.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.
- N.** RCM Section III.1.M – Any expenditure that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure. Further, the cost of supplies that are purchased for distribution among multiple programs must be allocated among these programs if direct charges are not possible. Adequate documentation of the allocation methodology should be maintained.
- O.** RCM Section III.2.B – Accrual basis of accounting is required for all programs receiving Article 81 and/or Article 89 funds.
- P.** CFR Manual (Page 3.3) – Only expenses and revenues for the proper CFR reporting period should be included in the CFR. CFRs submitted with expenses and revenues for a different reporting period will not be accepted.
- Q.** CFR Manual (Page 8.5) – Day care expenses in excess of the integrated program should be reported in a separate column (Program Code 9164).
- R.** CFR Manual (page 13.1) – Report all expenses incurred and revenues earned for the reporting period on the appropriate lines.
- S.** CFR Manual (Page 41.3) – Providers should report all costs of day care in excess of the approved duration of the Integrated program under the Day Care Costs in Excess of Integrated Program (Code 9164).
- T.** CFR Manual (Page 41.3) – Program 9160 – Preschool Integrated Special Class over 2.5 hours per day. A program approved to operate greater than 2.5 hours per day, employing a special education teacher and at least one para-professional in a classroom consisting of both disabled and non-disabled preschool students or separate non-disabled and disabled classes housed in the same physical space, as defined in Section 200.9(f)(2)(x) of the Commissioner's Regulations.

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 2M EB (518) 474-3862
89 Washington Avenue
Albany, NY 12234
jeffrey.matteson@nysed.gov

November 3, 2025

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-19, *Charles R. Drew Early Childhood Center, Inc. (Charles R. Drew) - 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 Charles R. Drew’s CFRs and to Charles R. Drew’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 Charles R. Drew 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 Charles R. Drew’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 Charles R. Drew 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

Agency Comments and State Comptroller's Comments – Charles R. Drew

McGLASHAN LAW FIRM, P.C.

733 Third Avenue, 16th Floor, New York, NY 10017
Tel. 212. 203.8738 | Fax. 646.514.5686
www.mcglawyer.com

November 12, 2025

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

RE: State Education Department
Queens County Educators for Tomorrow
a/k/a Charles R. Drew Early Learning Centers
Audit Report 2024-S-019

Dear Mr. Sifontes:

We have reviewed the above-referenced Audit Report relative to costs reported by Queens County Educators for Tomorrow, Inc. a/k/a Charles R. Drew Early Learning Centers (“Charles R. Drew” or “Center”) on its Consolidated Fiscal Reports (CFRs) for the fiscal year ending June 30, 2020 and certain expenses claimed on the CFR for the two fiscal years ending June 30, 2019 and determinations whether such costs 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”). We appreciate the opportunity to provide context and comment on the Draft Report Findings.

In addition to providing specific comments on particular proposed findings, we offer recommended corrections to what we believe are flawed conclusions.

State Comptroller's Comment – Our conclusions are not flawed. Rather, they are based on our determination of Charles R. Drew's failure to comply with the requirements stipulated in SED's RCM and the CFR Manual.

Excessive Costs

Charles R. Drew serves both children with disabilities and children without disabilities in its full-day Integrated Special Class program. The non-disabled children are part of their day care program called ACS Early Learn. We calculated that \$196,602 in costs of day care in excess of the approved duration of the Integrated program (Program Code 9160) were inappropriately charged to the integrated program rather than to Program Code 9164. The day care program operated from 7 a.m. to 6 p.m. (11 hours) and the Integrated program operated from 9 a.m. to 3 p.m. (6 hours). The costs of the 5 hours of daily excess day care services should have been reported under Program Code 9164. However, Charles R. Drew inappropriately reported these costs under Program Code 9160.

Therefore, we recommend that SED disallow a total of \$196,602 (\$171,711 in salaries and \$24,891 in fringe benefits) in compensation costs that were incorrectly charged to the SED preschool cost-based program.

Response:

Charles R. Drew disagrees with \$196,602 being calculated as cost in excess of the approved duration of the integrated program.

A disallowance of \$196,602 would only be the result of an incomplete presentation which does not account for all revenue attributable to the subject cost. A complete presentation which accounts for all revenue attributable to the subject cost would not yield the excess claimed.

State Comptroller's Comment – Charles R. Drew is mistaken. The recommended disallowance does not pertain to revenues. Rather, it addresses excess compensation costs for day care services associated with ACS' Early Learn program that were inappropriately reported and charged to the SED preschool cost-based program.

Although the audit relies upon a code mismatch to recommend disallowance of the reported costs, there is no representation in the audit that either Program Code 9160 or Program Code 9164 requires suppression of ACS revenues from related ACS costs. Yet, that is the approach taken by the audit. If Charles R. Drew is charged with submitting improper ACS costs to SED, then any related ACS revenues collected should be acknowledged, to provide an accurate and complete presentation of the transaction.

State Comptroller's Comment – This statement is inaccurate. The recommended disallowance was not based on a code mismatch. Rather, we applied the CFR Manual's requirements, which instruct providers to report all costs of day care in excess of the approved duration of the SED preschool-cost based programs. We found that Charles R. Drew incorrectly charged excess costs for the ACS Early Learn program to the SED preschool cost-based program.

The chart below demonstrates how an accurate and complete presentation would be materially distinguishable from the results shown by the audit. In 2018, the Program 9160 salary amount claimed was \$528,620 (which includes SED only salary in the amount of \$397,267 and ACS only salary in the amount of \$131,353). Reconciliation the ACS only revenues (\$169,260) and ACS only costs (\$131,353) yields suppressed ACS revenues of \$37,907. Applying these suppressed revenues to the SED only salary amount on CFR 4 (\$397,267) would yield a reduced base for rate calculation in the amount of \$359,360. Applying this ACS revenues reconciliation yields, respectively, suppressed revenues of \$22,433 (2019) and \$29,682 (2020). In the aggregate, the suppressed revenues represent \$90,022 reduction in the base for rate calculation. Based on the interpretation of the mismatched code applied in the audit, SED has gained an unaccounted benefit from the suppressed ACS revenues.

State Comptroller's Comment – We neither misinterpreted nor applied a mismatched code in our calculations. The recommended disallowance is not associated with revenues. Rather, it is based on the misreporting and inappropriate charging of compensation costs to the SED preschool cost-based program.

	<u>Rate Setting Base (exclusive of ACS)</u>		
Program CFR	9160 2018	9160 2019	9160 2020
Salaries Claimed on CFR 4	\$528,620	\$480,452	\$444,900
SED Employees Only on CFR 4	<u>397,267</u>	<u>356,196</u>	<u>327,893</u>
Base for Rate Calculation SED Only			
Integrated Salaries	<u>397,267</u>	<u>356,196</u>	<u>327,893</u>
	<u>Integrated Salaries (reduced base)</u>		
ACS Employees Claimed CFR 4	\$131,353	\$124,256	\$117,007
ACS Applied Revenue Claimed CFR 1	<u>169,260</u>	<u>146,689</u>	<u>146,689</u>
Net Difference	<u>(37,907)</u>	<u>(22,433)</u>	<u>(29,682)</u>
Base for Rate Calculation incl. ACS	<u>359,360</u>	<u>333,763</u>	<u>298,211</u>

The audit includes phantom costs in the amount of \$28,907 (\$4,016 for an added employee and \$24,891 for added fringe benefits). The costs were not claimed by Charles R. Drew and should be removed from the amount recommended for disallowance by the audit.

State Comptroller's Comment – Our recommended disallowances do not include phantom costs. Rather, they are based on our review of information provided by Charles R. Drew officials consistent with SED's requirements.

	9160		9160
ACS Salaries Claimed	372,655	Per Audit as Claimed	381,579
45% Disallowance	167,695		171,711
ACS Fringes Claimed	-None	Per Audit as Claimed	-None
45% Disallowance	None		24,891

Excessive cost adjusted	167,695		196,602
ACS Revenue Claimed	462,638	Per Audit as Claimed	462,638
45% Disallowance	208,187		-None
Add back to 45% audit disallowance after			
Modification	40,492		

Excess Student-to-Staff Ratio

We recommend that SED disallow \$95,691 in excess compensation costs (\$84,019 in salaries and \$11,672 in fringe benefits) for the 3 fiscal years ended June 30, 2020.

Response:

These costs were necessary to retain qualified staff. Charles Drew will not dispute the classification of these costs in the audit.

Unsupported/Insufficiently Documented and Non-Allowable Expenses

For the 3 fiscal years ended June 30, 2020, we identified \$89,220 in compensation costs that did not comply with the RCM's requirements. [...]

Consequently, we recommend that SED disallow the \$89,220 in non-reimbursable compensation costs.

Response:

Charles R. Drew disagrees with \$16,897 of the \$29,363 disallowance. Included in this are \$1,872 fringe benefits for office staff which were not claimed on the CFRs.

Roles	Salaries	Fringes	Audit Total	Per CFR Claimed	Audit Error Excess Expenses
VM Receptionist/clerk	\$7,586	\$752	\$8,338	\$7,586	\$752
VP Receptionist/clerk	224	39	263	224	39
MM Receptionist/clerk	512	95	607	512	95
Director	5,504	810	6,314	5,504	810
Accountant/bookkeeper	1,199	176	1,375	1,199	176
	15,025	1,872 ¹	16,897	15,025	1,872 ¹

¹ Fringes were not claimed on CFR

The \$15,025 claimed by the Center was reported as recommended by stated policy in the CFR Manual. Notwithstanding the stated policy, the audit initially disallowed the costs as “**Excessive compensation -PTS codes over 500 claimed to CFR-1 instead of CFR-3**”. The Center presented extracts from the Manual to corroborate the justification for presentation and reporting in accordance with CFR 1. Specifically, Codes 505-office worker; 506 accountant and 516 coordinator/department head are defined as Program Administrative costs as compared with Agency Administrative costs on CFR 3.

Subsequent to those presented extracts, the audit accepted these expenses as reported on CFR 1, but the audit now, without explanation, disallowed all \$16,897 as “**Unsupported/Insufficiently Documented and Non-Allowable Expenses**”. All documents requested for this category were provided during the audit. The Center is not aware of any outstanding request for additional support.

State Comptroller’s Comment – Charles R. Drew is correct in that the recommended disallowance was initially categorized under “Excess Compensation” in the preliminary findings report. By definition, preliminary findings are non-final audit observations. However, Charles R. Drew officials could not provide sufficient support that these employees provided services to the SED preschool cost-based programs. As such, we reclassified these recommended disallowances under the “Unsupported/Insufficiently Documented and Non-Allowable Expenses” category.

It should be noted that these are general duties performed in the day-to-day operations of the Center. As performed, these duties enhanced all programs and as such are Program Administrative costs. The salary allocations for Director and Accountant were 3.6% and 3%, respectively.

To summarize, the Center has no outstanding request in connection with any disallowance for unsupported or insufficiently documented expenses. All responsive timesheets, personnel files, payroll registers were provided during the audit. Consequently, these expenses are deductible and \$16,897 must be allowed.

State Comptroller’s Comment – Although requested, Charles R. Drew officials did not provide support for the compensation charged to the SED preschool cost-based programs. Instead, the information provided indicated the compensation was for a Director in the ACS Early Learn program.

The \$28,802 recommended disallowance of fringe benefits included \$15,924 for workers’ compensation, the proof of which the Center recently submitted to the audit team. Included were the contract between the Center and Paychex Insurance Agency as Producer to remit payments to Travelers (P&C). The Center provided each year separately. The delivery included all bank statements electronic payment page highlighting WC premiums (except February and May 2018); workers’ compensation payment service report or the cash requirement report and the workers’ compensation general ledger that reconciled to the premiums withdrawn. The general ledger was reconciled with either the cash requirement or the payment service report. The Center expects that the premium payments expensed will be allowed after examination.

State Comptroller's Comment – We revised our report based on our review of additional information provided by Charles R. Drew. We reduced the recommended disallowance by \$15,924—the amount associated with Workers' Compensation expenses. Charles R. Drew did not provide sufficient documentation to show that the remaining \$12,878 in compensation costs complied with SED's requirements.

The Center disagrees with the disallowance of \$11,236 as non-program related compensation. This cost included two employees who were paid \$5,144 from private funds to prepare an Early Learn Proposal for fiscal year 2021 ("RFP 21"). By their unrestricted nature, private funds are G&A revenue to pay expenses, and are not associated with an approved program. These payments were charged to a G&A general ledger. Importantly, the payments were not related to an approved program in the current year (19-20). The payments were, therefore, G&A expenses. As with any G&A expenses, if a program does not exist in the current year ("CY"), then it is a general expense. RFP 21 did not exist in 2019-20. Exceptions on the CFR are campaign contributions, alcohol and entertainment, etc. Although excepted, these costs are still reported on the CFR but elsewhere, there is a corresponding disallowance on CFR 1 and CFR 3.

State Comptroller's Comment – These expenses were reported on CFR-3 and charged to the SED preschool cost-based programs for the three individuals. The documentation provided by Charles R. Drew was insufficient to show that services were provided to the SED preschool cost-based programs.

Without any basis, the audit disallowed this G&A expense and treated it as a CY Early Learn expense, thereby reducing the G&A base. This was an error because there is never a budget line item on ACS for an RFP expense incurred in a prior year. When treated as required, \$5,144 is deductible. The audit stated that "the expenses were charged to the SED preschool cost-based programs". In fact, they were charged as Agency Administrative cost (CFR3) not CFR 1.

State Comptroller's Comment – Charles R. Drew is mistaken. All agency administration costs are allocated to all programs operated by the entity based on the Ratio Value Method of allocation. As such, a portion of these expenses were charged to the SED preschool cost-based programs. We recommended for disallowance the portion charged to the SED preschool cost-based programs.

Other Than Personal Service Costs

For the 3 fiscal years ended June 30, 2020, Charles R. Drew reported \$717,994 in OTPS costs for its SED preschool cost-based programs. To determine whether these expenses complied with SED's requirements for reimbursement, we judgmentally selected a sample of OTPS expenses totaling \$648,709. We determined that \$172,881 of these expenses did not comply with SED's reimbursement requirements.

Response:

Charles R. Drew does not challenge this disallowance.

Unsupported/Insufficiently Documented Costs

We identified \$82,410 in various expenses claimed on the CFR for which officials could not provide support and/or the support was insufficient [....]

Office of the State Comptroller
Charles R. Drew

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Consequently, we recommend that SED disallow \$82,410 for these undocumented/insufficiently documented expenses.

Response:

Charles R. Drew does not challenge this disallowance.

Non-Allowable Contracted Direct Care Costs

We recommend that SED disallow \$70,527 in contracted direct care costs that did not comply with SED requirements.

Response:

Charles R. Drew does not challenge this disallowance.

Other Non-Reimbursable Expenses

Consequently, we recommend that SED disallow \$19,944 that did not comply with the RCM requirements.

Response:

Charles R. Drew does not challenge this disallowance.

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

Very Truly Yours,


Patrick McGlashan

PM/jb
cc: Queens County Educators for Tomorrow, Inc.

Contributors to Report

Executive Team

Andrea C. Miller - *Executive Deputy Comptroller*

Tina Kim - *Deputy Comptroller*

Stephen C. Lynch - *Assistant Comptroller*

Audit Team

Kenrick Sifontes - *Audit Director*

Sheila B. Jones - *Audit Manager*

Savíya Crick, CPA, CIA, CFE - *Audit Supervisor*

Tania Rodriguez - *Examiner-in-Charge*

Urszula Boczon - *Senior Examiner*

Thomas Sheremetta - *Staff Examiner*

Victoria Braimoh - *Staff Examiner*

Molly Racsko - *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

