New York State Comptroller
THOMAS P. DiNAPOLI

State Education Department

Helen Keller Services for the Blind: Compliance With the Reimbursable Cost Manual

September 2026 | Report 2024-S-20

Prepared by the Division of State Government Accountability

Audit Highlights

Objective

To determine whether the costs reported by Helen Keller Services for the Blind (Helen Keller) 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 Helen Keller's CFR for the fiscal year ended June 30, 2021, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2020.

About the Program

Helen Keller is a New York City-based not-for-profit organization authorized by SED to provide 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. In addition, Helen Keller operates other SED-approved programs, such as Evaluations, 1:1 Aides, and a New York State Department of Health Early Intervention program. However, payments for services under these other programs are based on fixed fees, as opposed to the cost-based rates established through financial information reported on CFRs. Helen Keller also operated New York State Office for People With Developmental Disabilities programs, primarily funded through New York State Medicaid. During the fiscal year ended June 30, 2021, Helen Keller served approximately 50 students in the SED preschool cost-based program.

Helen Keller falls under the umbrella organization of Helen Keller Services, which comprises of two divisions: Helen Keller and the Helen Keller National Center for DeafBlind Youths and Adults (National Center) that provides customized training and support for individuals in the greater New York area and across the United States.

New York City Public Schools (NYCPS) refers students to Helen Keller based on clinical evaluations and pays for its services using rates established by SED. The rates are based on the financial information Helen Keller reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2021, Helen Keller reported approximately $10 million in reimbursable costs for the SED preschool cost-based program.

Key Findings

For the 3 fiscal years ended June 30, 2021, we identified $1,337,765 in reported costs that did not comply with the requirements in the RCM and the CFR Manual, as follows:

- $636,513 in rent-related costs including unsupported or insufficiently supported additional landlord charges for building operations ($401,932) and overallocated rent ($234,581).
- $227,326 in non-program-related personal service costs. The documentation provided by Helen Keller officials indicated the employees worked for the National Center, the Early Intervention program, or the 1:1 Aide program.
- $139,046 in compensation costs for three employees whose salaries were overallocated to the SED preschool cost-based program.
- $124,258 in non-program-related other than personal service (OTPS) expenses. The documentation provided by Helen Keller officials indicated the costs were associated with the National Center or the Early Intervention program.
- $110,410 in contracted service costs that were either not supported or not sufficiently supported.
- $41,499 in miscellaneous ineligible or undocumented OTPS costs.
- $36,447 in unsupported compensation costs that did not reconcile with supporting payroll documents.
- $22,266 in one-time payments that were not in compliance with the requirements in the RCM, including bonuses ($11,738), severance pay ($6,242), and vacation pay ($4,286).

Key Recommendations

To SED:

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

To Helen Keller:

- 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

September 1, 2026

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

Susan Ruzenski, Ed.D.
Executive Director
Helen Keller Services for the Blind
180 Livingston Street
Brooklyn, NY 11201

Dear Dr. Rosa and Dr. Ruzenski:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the costs submitted by Helen Keller Services for the Blind 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	*Auditee*
CFR	Consolidated Fiscal Report	*Key Term*
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	*Policy*
Helen Keller	Helen Keller Services for the Blind	*Service Provider*
National Center	Helen Keller National Center for DeafBlind Youths and Adults	*Entity*
NYCPS	New York City Public Schools	*Agency*
OTPS	Other than personal service	*Key Term*
RCM	Reimbursable Cost Manual	*Policy*

Background

Helen Keller Services for the Blind (Helen Keller) is a New York City-based not-for-profit organization authorized by the State Education Department (SED) to provide 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, 2021, Helen Keller served approximately 50 students in the SED preschool cost-based program. In addition, Helen Keller operated other SED-approved programs, such as Evaluations, 1:1 Aides, and a New York State Department of Health Early Intervention program. However, payment for services under these programs is based on fixed fees, as opposed to the cost-based rates established through financial information reported on Consolidated Fiscal Reports (CFRs). Helen Keller also operated New York State Office for People With Developmental Disabilities programs, primarily funded through New York State Medicaid.

Helen Keller falls under the umbrella organization of Helen Keller Services, which comprises two divisions: Helen Keller and the Helen Keller National Center for DeafBlind Youths and Adults (National Center) that provides customized training and support for individuals in the greater New York City area and across the United States.

New York City Public Schools (NYCPS) refers students to Helen Keller based on clinical evaluations and pays for its services using rates established by SED. The rates are based on the financial information that Helen Keller reports to SED on its annual CFRs. To qualify for reimbursement, Helen Keller'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 NYCPS pays to Helen Keller.

For the 3 fiscal years ended June 30, 2021, Helen Keller reported approximately $10 million in reimbursable costs for the SED preschool cost-based program. This audit focused primarily on expenses claimed on Helen Keller's CFR for the fiscal year ended June 30, 2021, and certain expenses reported on its CFRs for the 2 fiscal years ended June 30, 2020.

Audit Findings and Recommendations

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the 3 fiscal years ended June 30, 2021, we identified $1,337,765 in reported costs that did not comply with SED's requirements for reimbursement. These ineligible costs include $425,085 in personal service costs and $912,680 in other than personal service (OTPS) costs. See the 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 Helen Keller'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, 2021, Helen Keller reported approximately $5.6 million in personal service costs for the SED preschool cost-based program. We identified $425,085 in personal service costs that did not comply with SED's reimbursement requirements.

Non-Program-Related Compensation 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 will not be reimbursable on field audit without appropriate written documentation. According to the CFR Manual, service providers should note that all attempts should be made to directly charge an expense to the appropriate cost center, and all 1:1 Aide costs should be reported in a separate cost center on the provider's financial reports. For the 3 fiscal years ending June 30, 2021, we identified $227,326 in costs that were not in compliance with the RCM and CFR Manual, as follows:

- $112,455 in compensation costs for 17 National Center employees. We found no evidence that these employees worked for the SED preschool cost-based program. Documentation provided by Helen Keller officials indicated these employees worked exclusively for the National Center during the 3 fiscal years ended June 30, 2021. Therefore, these costs should have been charged directly to the National Center.
- $61,597 in compensation costs for two Early Intervention program employees. We found no evidence that these employees worked for the SED preschool cost-based program. Documentation provided by Helen Keller officials indicated these employees worked

exclusively for the Early Intervention program for the 3 fiscal years ended June 30, 2021. Therefore, these costs should have been charged directly to the Early Intervention program.

- $39,692 for an employee who worked for the 1:1 Aide and Early Intervention programs. Although documentation provided by Helen Keller officials indicated this employee worked only for these two programs, Helen Keller charged all the employee's compensation costs for the fiscal year ended June 30, 2019 and part of the employee's compensation for the fiscal year ended June 30, 2020 to the SED preschool cost-based program. However, these costs should have been allocated between the 1:1 Aide and Early Intervention programs.
- $8,626 for an employee whose compensation was allocated between the SED preschool cost-based program and the 1:1 Aide program. However, documentation indicated the employee primarily worked for the Early Intervention program.
- $4,956 in misallocated compensation for an employee who switched programs during the fiscal year ended June 30, 2019. Documentation indicated the employee resigned as a preschool teacher on September 21, 2018 and worked as a per diem Early Intervention program teacher for the remainder of the fiscal year. However, the employee's Early Intervention program teacher compensation was incorrectly charged to the SED preschool cost-based program.

We recommend that SED disallow $227,326 ($165,368 in salaries and $61,958 in fringe benefits) for these non-program-related compensation costs.

Overallocated Employee Compensation

The RCM requires that salaries of employees who perform tasks for more than one program must be allocated among all programs for which they work. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Agency administration costs shall be allocated to all programs operated by the entity based on the ratio value method, which uses operating costs as the allocation basis. For the 3 fiscal years ended June 30, 2021, we determined that Helen Keller overallocated $139,046 in compensation costs for three employees, as follows:

- $94,054 in overallocated compensation costs for an agency administrative employee (Associate Executive Director) whose compensation was directly charged to the SED preschool cost-based program instead of allocated based on the ratio value method. As a result, $94,054 of this employee's compensation was incorrectly charged to the SED preschool cost-based program.
- $44,992 in overallocated compensation for two employees. While their salaries were allocated between the SED preschool cost-based program and the Early Intervention program, Helen Keller officials failed to provide adequate documentation, such as time allocation records or time studies, to substantiate the compensation charged to the SED

preschool cost-based program. Based on our review of Helen Keller's Early Intervention program occupancy spreadsheet, we adjusted the allocation rates used for these employees. As a result, $44,992 in compensation was overallocated to the SED preschool cost-based program.

We recommend that SED disallow $139,046 ($98,282 in salaries and $40,764 in fringe benefits) in overallocated costs.

Unsupported Compensation 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. Compensation costs must be based on approved, documented payrolls. Costs will not be reimbursable on field audit without appropriate written documentation. For the 3 fiscal years ending June 30, 2021, we identified $36,447 in unsupported agency administration compensation. The salaries on the supporting spreadsheet of agency administrative employees provided by Helen Keller officials did not reconcile with agency administration salaries reported on the CFR totaling $380,138. Consequently, we were unable to review the expenses claimed or determine whether these costs were reasonable, necessary, and directly related to the special education program.

We recommend SED disallow $36,447 ($24,770 in salaries and $11,677 in fringe benefits) for these unsupported compensation costs.

Unallowable One-Time Payments

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. To be reimbursable, bonuses, severance pay, and vacation payments are required to meet specific requirements in the RCM. We identified $22,266 in costs that did not meet those requirements.

Bonuses

According to the RCM, a merit award (or bonus compensation) shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment in excess of regularly scheduled salary that is not directly related to hours worked. A merit award may be reimbursed if it is based on merit as measured and supported by employee performance evaluations. The provider's governing entity must adopt a written employee performance evaluation policy and form that contains sufficient detail as to the criteria and methods used to determine each employee's final evaluation rating. The written employee performance evaluation policy must also describe how the final evaluation rating will directly correlate to any amount of a merit award should funds be available for such an award. In addition, merit awards are restricted to direct care titles/employees as defined by the RCM's Appendix A-1 and those in the 100 position title code series and position title code 505 and 605, as defined by the CFR. Sign-on bonuses are restricted to direct care titles/employees as defined by the RCM's Appendix A-1.

For the 3 fiscal years ended June 30, 2021, we identified $11,738 in bonus payments made to two ineligible employees as detailed below. Further, the bonuses were not supported by performance evaluations.

- Bonus compensation payment of $75,000 to Helen Keller's Executive Director, a non-direct care employee with position title code 601, for the fiscal year ended June 30, 2019. Of this amount, $6,816 was charged to the SED preschool cost-based program.
- Sign-on bonus payment of $50,000 to Helen Keller's Executive Director for the fiscal year ended June 30, 2020. Of this amount, $4,922 was charged to the SED preschool cost-based program.

Severance Pay

The RCM defines severance pay as compensation in addition to regular salary paid by a program to employees whose services are being terminated. Severance pay is reimbursable if, among other requirements, it does not exceed 2 weeks' pay for a full-time employee. For the fiscal year ended June 30, 2021, Helen Keller reported $68,750 in severance pay for a full-time employee, which exceeded the allowable 2 weeks' pay by $58,173. Of this amount, $6,242 was charged to the SED preschool cost-based program.

Vacation Pay

According to the RCM, payments for sick and vacation leave credits for a retiring employee transferred into a lump sum payment to the employee are reimbursable when, among other requirements, they are documented in employer-employee contract agreements. For the fiscal year ended June 30, 2021, we identified $39,937 in accrued vacation leave payments for two retiring employees that did not meet the RCM's requirements. These payments were not documented in employer-employee contract agreements, as required. Of the $39,937 in payments, $4,286 was charged to the SED preschool cost-based program.

We recommend that SED disallow the $22,266 ($16,720 in salaries and $5,546 in fringe benefits) in one-time payments that were not in compliance with the RCM's requirements.

Other Than Personal Service Costs

For the 3 fiscal years ended June 30, 2021, Helen Keller reported approximately $4.4 million in OTPS costs for the 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 approximately $4 million of the $4.4 million. We determined that $912,680 of these expenses did not comply with SED's reimbursement requirements.

Unsupported/Insufficiently Documented Additional Rent 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 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.

Helen Keller has a contract for renting space at 180 Livingston Street to operate its educational programs. A portion of the monthly payments is defined in the lease rental agreement as "additional rent," which consists of a portion of the landlord's operating expenses. This cost, which is in addition to the $2.9 million in rental costs noted above, includes: "the total of all items of costs and expenses of every kind and nature as may be paid or incurred by Landlord related to maintaining, managing, overseeing, operating, lighting, cleaning, policing, securing, repairing, replacing, enhancing and protecting the building." The agreement also states that the landlord must provide Helen Keller with reasonable detail and backup for the actual operating expenses and Helen Keller's proportionate share of these expenses.

For the 3 fiscal years ended June 30, 2021, Helen Keller reported $1,000,634 in additional rent expenses on its CFRs. However, Helen Keller officials did not provide invoices or other sufficient supporting documentation for $401,932 of these costs. For example, officials did not provide invoices or other supporting documents related to expense categories such as service contracts, utilities, real estate taxes, legal expenses, and outside cleaning services. Further, these costs were also allocated to the SED preschool cost-based program using incorrect square footage calculations.

Consequently, we recommend that SED disallow $401,932 in additional rent costs that did not comply with SED's requirements.

Overallocated Rent Costs

According to the RCM, the share of rental expenses allocated to programs is based on documented and reasonable criteria, such as square footage utilization, when more than one program is operated in a building. Entities operating programs must use allocation methods that are fair and reasonable, as determined by the Commissioner of Education'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 on an annual basis and adjusted, as necessary.

For the 3 fiscal years ended June 30, 2021, Helen Keller reported $2.9 million in rental costs. Helen Keller officials advised us they allocated rent costs to the SED preschool cost-based program based on square footage of the SED preschool cost-based program relative to the total square footage of the building. The allocation percentages used by Helen Keller ranged from 43% to 54% annually for the fiscal year ended June 30, 2019 through the fiscal year ended

June 30, 2021. However, after we measured the square footage and reviewed property usage records provided by Helen Keller officials, we determined approximately 43% of the space should have been allocated to the SED preschool cost-based program. As a result, we determined that Helen Keller reported $234,581 in overallocated rent expenses to the SED preschool cost-based program.

Consequently, we recommend SED disallow $234,581 in expenses that were not in compliance with SED requirements.

Non-Program-Related 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. Further, the CFR Manual states that service providers should note all attempts made to directly charge an expense to the appropriate cost center. For the 3 fiscal years ended June 30, 2021, we identified $124,258 in non-program-related OTPS expenses that were charged to the SED preschool cost-based program.

As noted earlier, Helen Keller Services operates through two distinct divisions: Helen Keller and the National Center. For the 3 fiscal years ended June 30, 2021, Helen Keller reported $478,883 in agency administration OTPS costs on its CFRs. However, documentation provided by Helen Keller officials indicated that $114,349 of these costs were attributed to the National Center. Therefore, they should not have been charged to the SED preschool cost-based program.

In addition, we found $9,909 in other non-program-related costs where the documentation provided by Helen Keller officials indicated these costs were related to professional fees and equipment used for non-SED programs.

We recommend that SED disallow $124,258 in costs that were not in compliance with the requirements in the RCM and the CFR Manual.

Insufficiently Documented Contracted Services

According to the RCM, adequate documentation for consultants includes, but is not limited to, the consultant’s résumé, a written contract that includes the nature of the services to be provided, charge per day, and service dates. All payments must be supported by itemized invoices that indicate the specific services actually provided and, for each service, the date(s) and the total amount charged. In addition, when direct care services are provided, the documentation must indicate the actual dates of service and number of hours of service to each child on each date. Bonuses paid to consultants are not reimbursable.

For the 3 fiscal years ended June 30, 2021, we identified $110,410 in contracted service costs that did not comply with the RCM, as follows:

- $73,491 in contracted direct care services. Helen Keller contracted with five therapists to provide therapy services. However, Helen Keller officials did not provide sufficient documentation related to the service dates and hours worked. Further, we found that certain invoices/session notes did not support the amounts claimed on the CFR.

- $29,682 in contracted consulting services. Helen Keller officials did not provide invoices to support these costs, or the invoices/documents provided did not include information required by the RCM.
- $7,237 for a bonus paid to the former Executive Director for consulting services.

Consequently, we recommend that SED disallow $110,410 in contracted services costs that did not comply with the RCM's requirements.

Miscellaneous Ineligible or Undocumented or Insufficiently Documented 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 canceled checks and invoices listing the items purchased and the date of purchase. The RCM also states that costs of food provided to any staff are not reimbursable. Staff travel costs must be supported by logs indicating the dates of travel, destination, purpose, mileage, and related costs such as tolls, parking, and gasoline. We found $41,499 in costs that were either undocumented or insufficiently documented or did not meet other RCM requirements as follows:

- $37,056 in costs where the supporting invoices were not provided. These costs included professional fees ($13,949), staff development ($6,100), office supplies ($3,510), expensed equipment ($2,359), and other miscellaneous expenses ($11,138).
- $3,990 in insufficiently documented costs where the invoices/documents provided did not reconcile with the amounts claimed on the CFR. Helen Keller officials did not provide an allocation methodology to support how SED preschool cost-based program costs were calculated.
- $453 in ineligible staff travel costs not supported by travel logs.

We recommend that SED disallow $41,499 of these costs that were not in compliance with the RCM's requirements.

In response to our personal services and OTPS findings, Helen Keller officials indicated that they provided us with all relevant documentation to support the SED preschool cost-based program costs. However, as stated throughout this report, supporting documentation was not provided, had missing required details, or contained information demonstrating that the costs did not meet SED's reimbursement requirements.

Recommendations

To SED:

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

To Helen Keller:

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 Helen Keller 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 Helen Keller's CFR for the fiscal year ended June 30, 2021, and certain expenses claimed for the 2 fiscal years ended June 30, 2020.

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

Reporting Requirements

We provided a draft copy of this report to both SED and Helen Keller 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. Helen Keller officials accepted some of our conclusions but disagreed with certain proposed disallowances. Our responses to certain remarks are embedded in Helen Keller'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

Helen Keller Services for the Blind – Summary of Reported and Disallowed Program Costs for the 3 Fiscal Years Ended June 30, 2021

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining
Personal Services			
Direct Care	$5,185,138	$295,201	$4,889,937
Agency Administration	$450,497	$129,884	$320,613
Total Personal Services	$5,635,635	$425,085	$5,210,550
Other Than Personal Services			
Direct Care	$3,898,973	$780,015	$3,118,958
Agency Administration	$478,883	$132,665	$346,218
Total Other Than Personal Services	$4,377,856	$912,680	$3,465,176
Total Program Costs	**$10,013,491**	**$1,337,765**	**$8,675,726**

Notes A–G, N–Q, and V–X pertain to personal services.
Notes A–B, H–M, and R–Y pertain to 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 Helen Keller officials during the course of our audit.

A. RCM Section I.9 – Agency administration is defined as those expenses that are not directly related to a specific program but are attributable to the overall operation of the agency.

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 – 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 RCM Section II.13.B, are reimbursable when paid and reported in that year's financial reports.

D. RCM Section II.13.A.3 – Payments for sick and vacation leave credits for a retiring employee transferred into a lump sum payment to the employee are reimbursable when reported and paid in that year's financial reports and when documented in employer-employee contract agreements.

E. RCM Section II.13.A.4.(b).ii – Allocation of non-direct care compensation among various direct care job titles is not allowable. Staff should be reported in the job code title supported by salary agreements and job descriptions.

F. RCM Section II.13.A.10 – A merit award (or bonus compensation) shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment in excess of regularly scheduled salary that is not directly related to hours worked. A merit award may be reimbursed if it is based on merit as measured and supported by employee performance evaluations that are completed prior to the determination and accrual of the merit award and within 1 year of such determination and accrual. In order to demonstrate that a merit award is based on merit and measured and supported by employee performance evaluations, the provider's governing entity must adopt a written employee performance evaluation policy and form that contains sufficient detail as to the criteria and methods used to determine each employee's final evaluation rating. The written employee performance evaluation policy must also describe how the final evaluation rating will directly correlate to any amount of a merit award should funds be available for such an award. In addition, merit awards:

a. Are restricted to direct care titles/employees as defined by the RCM's Appendix A-1 and those in the 100 position title code series and position title code 505 and 605 as defined by the CFR's Appendix R; b. Will not be reimbursed if paid to subcontractors and/or independent consultants; additionally, the merit award cannot be based on any period of time an employee was a consultant; c. Shall be subject to all aspects, constraints, and cost parameters contained in the methodology; d. Must be paid within the year awarded or no later than 2 ½ months after the entity's year end; e. May be awarded to special education teachers providing Special Education Itinerant Teacher services based on the number of sessions delivered; f. In addition and as a supplement to employee performance, merit awards may also factor an employee's longevity and attendance as a demonstration of merit provided that these aspects are measured and supported by the written employee performance evaluation.

G. RCM Section II.13.A.13 – A sign-on bonus shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) sum of money in excess of regularly scheduled salary provided as an incentive to accept employment at the entity. Sign-on bonuses are restricted to direct care titles/employees, as defined by the RCM's Appendix A-1.

H. RCM Section II.14. – Consultants include independent accountants, as defined in Section 200.9 (e)(1)(ii)(a) of the Commissioner's Regulations, lawyers, and other independent contractors.

I. RCM Section II.14.A.1 – Bonuses paid to consultants are not reimbursable.

J. RCM Section II.14.B – Costs associated with retainers for legal, accounting, or consulting services are not reimbursable unless the fee represents payment for actual documented reimbursable services rendered, provided the services are not for lobbying efforts.

K. 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.

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

M. RCM Section II.41.B.4 – The share of rental expense allocated to programs funded pursuant to Article 81 and/or Article 89 is based on documented and reasonable criteria, such as square footage utilization, when more than one program is operated in a rented facility.

N. RCM Section II.46.A – Severance pay is compensation in addition to the regular salary that is paid by a program to employees whose services are being terminated.

O. RCM Section II.46.B – Cost of severance pay is reimbursable provided that: (1) Such payment is required by law or by employer-employee agreement or contract. (2) The cost of severance pay does not exceed 2 weeks' pay for a full-time employee. (3) Severance payment should be allocated to all appropriate programs and/or entities on a reasonable basis. Costs should be reported in programs where salary and fringe benefits of the employee who received severance pay would have been reported.

P. 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.

Q. 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.

R. 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, the 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 actual dates of service, and the number of hours of service to each child on each date.

S. RCM Section III.1.D – All purchases must be supported with canceled checks and invoices listing the items purchased, date of purchase, and date of payment. Costs must be charged directly to specific programs whenever possible. The particular programs must be identified on invoices or associated documents.

T. RCM Section III.1.E – Logs must be kept by each employee indicating the dates of travel, destination, purpose, mileage, and related costs such as tolls, parking, and gasoline. Logs must have supervisory approval for the associated travel expense to be reimbursable.

U. RCM Section III.1.G – All contractual agreements (e.g., leases) must be in writing, signed, and dated.

V. 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. For example: (i) Salaries of employees who perform tasks for more than one program and/or entity must be allocated among all programs and/or entities for which they work. (ii) The cost of supplies 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. (iii) General maintenance and overhead expenses must be allocated among all programs and entities.

W. 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 on an annual basis and adjusted, as necessary.

X. RCM Section III.1 M.3 – For CFR filers, agency administration costs shall be allocated to all programs operated by the entity based on the ratio value method of allocation.

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. If agency administrative offices and program offices are located in the same building, property-related costs must be allocated using square footage as the statistical basis.

SED Response

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

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April 22, 2026

Kenrick Sifontes
Audit Director
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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-20, *Helen Keller Services for the Blind (Helen Keller) - 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 Helen Keller's CFRs and to Helen Keller's tuition reimbursement rates, as warranted."

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

Recommendation 2:

"Remind Helen Keller 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 upon request and will strongly recommend that Helen Keller officials avail themselves of our assistance to better understand the rules for cost reporting and the criteria for cost reimbursement as presented in the CFR, Regulations, and the Reimbursable Cost Manual (RCM).

Furthermore, SED will alert Helen Keller 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

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May 14, 2026

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Re: State Education Department
Compliance with the Reimbursable Cost Manual
Helen Keller Services for the Blind
Audit Report 2024-S-020
Draft Report

Dear Ms. Kovaneva and Mr. DiNatale:

We have reviewed the above-referenced Draft Report which considers whether the costs reported by Helen Keller Services for the Blind on its Consolidated Fiscal Reports (CFRs) were reasonable, necessary, and sufficiently documented pursuant to the State Education Department's (SEDs) Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual) which focused primarily on expenses claimed on the CFR for the fiscal year ending June 30, 2021, and certain expenses claimed on the CFR for the two fiscal years ending June 30, 2020.

We acknowledge and appreciate the auditors' thoughtful consideration of substantiating documentation provided both during the audit process and in advance of the release of the Draft Report.

Personal Service Costs

Non-Program-Related Compensation Costs

As the auditors acknowledged in the Report Narrative, Helen Keller exists under the umbrella organization of Helen Keller Services which is comprised of two discrete operations: Helen Keller (referenced here) and the Helen Keller National Center for Deaf Blind Youth and Adults (National Center). While not overtly complicated or complex, the existence of two separate although related operations under a single corporate not-for-profit organizational structure does require precise allocation of costs and expenses, supported by detailed documentation and in accordance with standard rules of allocation whether direct costs, ratio value, or a similar allocation methodology.

Helen Keller concedes that methods of cost allocations employed by the organization in the audit years lacked the precision of allocation methodologies currently used by the organization.

However, we provide comments and challenges to select components of specific findings as follows, based upon the analysis of a contracted accounting consultant familiar with the applicable cost manual and reporting requirements:

- $112,455 in compensation awarded to employees of the related organization, the National Center

We respectfully disagree with the auditors' determination regarding the $112,455 attributed to the 17 HKNC employees.

Helen Keller Services reports on a total company basis for CFR purposes and operates multiple programs under a single reporting entity, including its Helen Keller Services for the Blind program (HKSB), which operates the 4410 program and the Helen Keller National Center program (HKNC), which engages in other programmatic activities of the organization. Under the CFR Manual, agency administration costs, defined as expenses not directly attributable to a specific program but benefiting the overall operation of the agency, must be reported on CFR 3 and CFR 4 and allocated across all benefiting programs operated by the entity (RCM §I.9; RCM §III.1.M; RCM §III.1.M.(3); CFR Manual, Appendix I).

In order to track its' spending throughout the year, Helen Keller tracks direct and administrative costs for each program separately. For CFR filing purposes, the administrative costs for both programs are combined on the organization's CFR-3.

The 17 HKNC employees identified by the auditors represent agency level administrative and management staff, and their compensation was reported as agency administration, not as direct care or program administration costs. The CFR Manual expressly requires that management and general staff costs (e.g., executive leadership, accounting, human resources, and administrative support) be included in agency administration and allocated using the ratio value method across all programs operated by the reporting entity (RCM §III.1.M.(3)).

State Comptroller's Comment – While we agree that agency administration costs must be allocated to all programs operated by the entity based on the ratio value method of allocation, we disagree that these 17 HKNC employees should be part of agency administration. As stated on page 2 of our report, Helen Keller falls under the umbrella organization of Helen

Keller Services, which comprises two divisions: Helen Keller (HKSB) and the Helen Keller National Center for DeafBlind Youths and Adults (HKNC). The RCM defines agency administration as those expenses that are not directly related to a specific program, but are attributable to the overall operation of the agency. These 17 employees worked exclusively for HKNC, a separate division that is distinct from HKSB. Therefore, these costs should have been charged directly to HKNC.

In its analysis, however, the auditors removed the agency administration costs associated with HKNC, while retaining HKNC direct program costs within CFR 2. As a result, the remaining agency administration cost pool—primarily HKSB administrative costs—was then allocated across both HKSB and HKNC direct costs, including the SED preschool cost based program. This approach directly conflicts with the RCM requirement that any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure (RCM §III.1.M.(1)), and that allocation methods must be fair, reasonable, and internally consistent (RCM §III.1.M.(2)).

State Comptroller's Comment – Helen Keller officials did not provide documentation substantiating their assertion that the remaining agency administration cost pool consisted primarily of HKSB administrative costs.

To comply with the RCM and CFR Manual, the allocation methodology must be applied consistently in one of the following two ways:

1. Full inclusion model:

Retain both direct and agency administration costs for HKSB and HKNC within the CFR and allocate agency administration of both entities among all programs operated by the entity using the ratio value method, as required by RCM §III.1.M.(3); or

2. Full exclusion model:

If the auditors determine that agency administration costs attributable to HKNC are not allowable for CFR purposes, then all HKNC direct program costs must likewise be removed from CFR 2, ensuring that remaining agency administration costs are allocated only across the remaining programs that benefit from those costs (RCM §III.1.M.(1)).

The approach employed by the auditors adopts neither model. By excluding HKNC administrative costs while continuing to include HKNC direct costs, the methodology artificially inflates the share of agency administration costs allocated to HKNC from HKSB, thus reducing allocated costs to the SED preschool cost based program, contrary to the RCM's allocation principles and the CFR Manual's consolidated reporting framework.

Accordingly, the sum of $112,455 identified by the auditors does not represent non program related compensation but instead arises from an internally inconsistent application of allocation rules. We respectfully request that the auditors reconsider this disallowance and apply a consistent treatment of HKNC costs that fully complies with RCM §§I.9, III.1.M, III.1.M.(2), and III.1.M.(3), as well as the CFR Manual requirements governing agency administration reporting and allocation.

State Comptroller's Comment – The $112,455 represented non-program-related employee compensation. Documentation provided by Helen Keller officials indicated these employees worked exclusively for HKNC during the 3 fiscal years ended June 30, 2021. Therefore, these costs should have been charged directly to HKNC. While we agree that removing such costs from agency administration would reduce allocated costs to the SED preschool cost-based program, we disagree that such removal is contrary to the principles of the RCM and CFR Manual.

- The organization acknowledges the auditors' finding with respect to the $61,597 in compensation costs and does not challenge this finding. Helen Keller is compelled, however, to offer context to the allocation.

At the time the Consolidated Fiscal Reports were prepared, Helen Keller employed a consistent allocation methodology whereby all employee compensation was initially charged to each employee's designated home cost center, and allocations were applied at the program level based on management's understanding of job responsibilities and program assignments. The CFR reflects the allocation of salaries to the various programs based upon these understandings.

However, Helen Keller acknowledges that it did not maintain sufficient contemporaneous time records or time studies for the identified employees sufficient to substantiate the specific allocation of effort among programs, as required under the Reimbursable Cost Manual. In the absence of contemporaneous documentation demonstrating actual hours worked by program, the organization recognizes that it cannot meet the documentation standard necessary to support the allocation as reported.

Accordingly, while Helen Keller disagrees with the characterization that the costs were improperly directed as a matter of intent, it accepts the disallowance due to the documentation deficiency.

State Comptroller's Comment – Our report does not characterize these costs as improperly directed.

Helen Keller has taken steps to strengthen its internal controls over payroll allocation, including enhanced documentation standards for shared or administrative staff, to ensure future compliance with the RCM's contemporaneous time record requirements.

- $39,692 in compensation expenses of additional individuals who provided services more appropriately allocated to the Early Intervention and 1:1 aide programs.

  Helen Keller does not challenge this finding;

- $8,626 in salary costs associated with a single employee who provided both Early Intervention Services and 1:1 Aide program services.

  Helen Keller does not challenge this finding; and

- $4,956 in compensation to an individual who had resigned from the education program and provided services thereafter through the Early Intervention System

Helen Keller does not challenge this finding

Helen Keller has undertaken a comprehensive strengthening of its internal protocols relating to appropriate cost allocation in response to the prior year reporting weaknesses. It is worthy of note, however, that is Helen Keller's quality record keeping and documentation that assisted the auditors in their more precise allocation of compensation costs. We are disappointed that these same time records were not accepted by the auditors in support of the salary expenses. We would ask that this substantial documentation be reconsidered as in support of claimed compensation costs.

State Comptroller's Comment – It is unclear which salary expenses Helen Keller is referencing. The documentation Helen Keller provided for employees noted in the three bullets above showed the employees worked for other programs, including the Early Intervention and 1:1 Aide programs.

Overallocated Employee Compensation

Helen Keller recognizes the errors made in the allocation of certain administrative/management compensation expenses, more specifically:

- $94,054 in Assistant Executive Director compensation; and
- $44,992 in compensation for two employees who provided services through both the Early Intervention and preschool special education systems.

Again, Helen Keller's current allocation methods, consistent with generally accepted accounting principles and the directives of the RCM and the CFR Manual, will prevent future unintentional errors in cost reporting.

Unsupported Compensation Costs

Helen Keller does not challenge the auditor's finding that the organization was unable to provide documentation in support of $36,447 in agency administration compensation, nor $2,870 related to a payroll register entry. The organization's strengthened fiscal protocols will prevent such reporting miscalculations in the future.

Unallowable One-Time Payments

Helen Keller does not challenge the auditor's findings that certain bonus payments made to certain management staff did not comport with the directives for such otherwise allowable one-time payments as set out in the RCM and CFR Manual. While entirely deserved by the recipient management personnel, Helen Keller recognizes the requirements of the RCM provisions governing these important acknowledgements of management dedication, commitment and performances. The organization recognizes the requirements governing the award of severance pay and vacation pay and will align its practices to these directives and requirements in the future.

Other than Personal Service Costs

A certified accounting consultant offers the following perspective:

As relates to applicable standard under the reimbursable cost manual:

RCM Section II.41.B.(4) and Section III.1.M require that rental expenses be allocated using documented, fair, and reasonable criteria, such as square footage utilization, when a facility is used for multiple purposes, such as multiple programs or a program and administrative functions. The CFR Manual further clarifies that when administrative and program offices are located within the same building, property related costs must be allocated using square footage as the statistical basis, and that such square footage must reasonably reflect actual program utilization.

Critically, neither the RCM nor the CFR Manual prescribes the use of total rentable square footage, nor do they require inclusion of common building areas not usable by programs (e.g., lobby, boiler rooms, mechanical spaces, elevators, stairwells) as part of the allocation base for program rent.

As relates to distinction between rentable, gross, and usable square footage:

The auditors recalculated allocation percentages using approximately 46,240 rentable square feet, which reflects a real estate leasing construct rather than a program cost allocation construct. Rentable square footage typically includes a pro rata share of common building elements that are not directly usable by any specific program and are not programmatically attributable.

However, from a cost allocation perspective under the RCM, three distinct measurements must be distinguished:

1. Rentable Square Footage (≈46,240 sq. ft.)

Includes pro rata shares of common building elements such as the building lobby, mechanical rooms, elevator shafts, basements, stairwells, and other non program spaces. This measure is appropriate for determining lease payments but not for allocating costs among programs.

2. Gross Square Footage (≈35,000 sq. ft., per architectural blueprints)

Measured from center of wall to center of wall. While narrower than rentable space, this figure still includes non usable internal circulation areas and does not reflect functional program utilization.

3. Usable Square Footage (≈27,400 sq. ft.)

Represents the space within the four walls that is actually capable of being occupied and used by programs, exclusive of common building elements and non-assignable circulation space. This is the only measure that meaningfully reflects program utilization and operational reality. Furthermore, within the usable space there can be shared costs (lobby, hallways, bathroom, conference rooms) that are used for both programmatic activities and administrative activities, and also other non-usable space such as stairways, elevator shafts, etc. that are in the tenant's suite.

As relates to the correct allocation methodology under the RCM:

The appropriate allocation methodology is to:

- Identify space directly attributable to the SED preschool cost-based program, such as classrooms, therapy rooms, and program specific offices;

- Divide that amount by total usable square footage, excluding common areas such as hallways, bathrooms, stairwells, elevators, and conference rooms that are shared and not program specific;

- Apply this ratio to allocable rent costs.

This methodology ensures that rent is allocated based on the actual physical footprint consumed by the SED preschool program, rather than an inflated denominator driven by building infrastructure that does not directly benefit Helen Keller or jointly benefits Helen Keller's programs and administrative functions.

As relates to third party support:

Helen Keller's square footage calculations were based on:

- Architectural drawings identifying gross building dimensions (see appendix A)

  - Yellow – 4410 program

  - Green – Admin and other program space

  - Pink – Shared Space (hallways, general bathrooms, lobby, conference room)

  - Purple – Unusable space (stairways, elevator bays, etc.)

- A square footage analysis prepared by the building's architect, including an Excel schedule identifying usable square footage and program specific occupancy (see appendix B);

While these schedules were prepared at the time of audit to substantiate internal records that had been contemporaneously created, they are reflective of the space utilized by Helen Keller during the audit period.

As relates to the auditor's measurement methodology:

The audit team independently measured square footage and effectively treated total rentable square footage as the appropriate allocation base. This approach:

- Incorporates non usable, non-program space into the denominator;

- Produces a materially understated allocation percentage for the SED preschool program;

- Does not reflect actual program utilization or operational reality; and

- Is inconsistent with the RCM's requirement that allocation methods be fair and reasonable.

While rentable square footage may be appropriate for landlord billing, it is not an appropriate or reasonable proxy for allocating costs among multiple programs operating within a facility.

The auditors calculated an allocation of rent related costs to Helen Keller's 9100 program of 21.87% and to administration (CFR-3) of 16.01%. The auditors did not measure the balance of the space utilized by other programs, to appropriately determine the basis for allocating costs, but instead used the rentable space per the lease to represent the denominator. If the auditors had appropriately allocated square footage only considering usable square footage as dictated by the RCM, using the measurements made by the auditors, the allocations would have been 43.68% chargeable to the 9100 program and 31.97% chargeable to administration, resulting in a disallowed cost of $234,581, instead of the $1,594,881 disallowed by the auditors. While Helen Keller contends that the square footage statistics utilized in preparing its CFRs was accurate, management acknowledges that contemporaneous documentation was not maintained to substantiate the remaining $234,581 of disallowance.

Accordingly, Helen Keller respectfully requests that $1,360,300 of the rent disallowance be reinstated in as much as the disallowance was based upon on an allocation methodology that is inconsistent with the Reimbursable Cost Manual and the CFR Manual. When rent is allocated based on usable square footage, excluding common building areas and applying program specific occupancy consistent with architectural documentation, the resulting allocation is reasonable, supportable, and compliant with SED requirements.

Helen Keller requests that the rent disallowance be reconsidered using an allocation methodology based on usable square footage, consistent with RCM principles and actual program utilization, and remove $1,360,300 of the disallowance.

State Comptroller's Comment – We revised our recommended disallowance based on additional information provided by Helen Keller pertaining to real property rental costs and square footage allocation.

Helen Keller herein provides utility bills for the years ended June 30, 2020 and 2021 in the amount of $53,668 and $77,399, respectively and a real estate bill for the year ended June 30, 2021 in the amount of $39,928, in support of reported costs and expenses. In addition, Helen Keller had previously provided invoices associated with the $169,634 of service contracts, however, the agency does not have the related service contracts for these vendors. Helen Keller does not have additional support beyond what has been provided to substantiate the balance of the $497,140 of additional rent costs. Importantly, all such costs were reasonable and necessary costs, otherwise reimbursable and consistent with the RCM.

State Comptroller's Comment – We revised our recommended disallowance based on additional information provided by Helen Keller pertaining to real estate taxes and utility costs.

Strengthened and rigorous record keeping and documentation retention policies will prevent such findings in the future.

Insufficiently Documented Contracted Services

The auditors propose disallowing $137,882 paid to Northport Therapy LLC, because the invoices did not contain student names. Helen Keller Services respectfully disagrees with the auditors' disallowance of $137,882 in costs paid to Northport Therapy, PLLC, which was based solely on the absence of student names on vendor invoices.

The Reimbursable Cost Manual (RCM) issued by the New York State Education Department requires that providers maintain sufficient source documentation to demonstrate that reported costs are actual, reasonable, necessary, and program related. The RCM does not prescribe the specific content of vendor invoices, nor does it require that student names appear on invoices as a condition of cost allowability.

Specifically, the RCM provides that:

- Providers must maintain sufficient financial and programmatic records to support costs reported and demonstrate that such costs are actual, necessary, reasonable, and related to the approved program.

- All costs must be supported by source documentation substantiating the expense and its allocation to the program.

The RCM does not define "source documentation" as requiring student level identifiers on invoices, nor does it state that the absence of student names renders an otherwise verifiable cost unallowable. Rather, the Manual is principles based and allows flexibility in how providers substantiate service delivery and allowability through appropriate supporting records.

Accordingly, the absence of student names on Northport Therapy, PLLC invoices does not constitute noncompliance with the Reimbursable Cost Manual.

Moreover, Helen Keller did maintain adequate substantiation through alternative documentation.

Helen Keller Services maintained comprehensive documentation demonstrating that the contracted therapy services provided by Northport Therapy, PLLC were:

- Delivered to students enrolled in the Preschool §4410 Program;

- Provided in accordance with approved IEPs;

- Performed during the periods invoiced; and

- Reasonable and necessary for program operations.

Such documentation includes service logs, therapist schedules, contracts, and other internal records. Collectively, these records substantiate both service delivery and program relevance, satisfying the RCM's documentation requirements even though student names do not appear on the invoices themselves. This documentation was provided to the auditors during their audit process.

It should also be noted that student privacy and federal compliance considerations apply.

The Preschool §4410 program is subject to the Family Educational Rights and Privacy Act (FERPA), which protects personally identifiable information contained in students' education records.

Disclosure of student names tied to special education services to third party vendors or through routine financial documents raises legitimate FERPA concerns.

In addition, the services provided by Northport Therapy, PLLC are clinical in nature and implicate the Health Insurance Portability and Accountability Act (HIPAA). HIPAA's minimum necessary standard requires that disclosures of protected health information be limited to the minimum necessary to accomplish the intended purpose. Including student names on invoices for payment processing is not required and increases compliance risk.

Notably, New York State's own invoice guidance cautions vendors and agencies against including confidential information such as patient names on invoices.

Accordingly, the disallowance of $137,882 is based solely on invoice format rather than on any finding that:

- The services were not provided;
- The services were unrelated to the §4410 program;
- The costs were unreasonable; or
- Documentation was insufficient to substantiate allowability.

Imposing a requirement that student names appear on invoices exceeds the documentation standards set forth in the Reimbursable Cost Manual and creates an unnecessary conflict with federal student privacy laws. Disallowing otherwise allowable costs on this basis elevates form over substance and is inconsistent with both the RCM and accepted practice among §4410 providers.

For the reasons outlined above, Helen Keller Services respectfully requests that the auditors reconsider and reverse the $137,882 disallowance related to Northport Therapy, PLLC, as the costs were properly substantiated, program related, and allowable under the Reimbursable Cost Manual.

State Comptroller's Comment – We revised our recommended disallowance based on additional information provided by Helen Keller pertaining to contracted service costs.

As relates to the balance of the $248,292 in direct care and administrative costs, Helen Keller has provided all available support.

State Comptroller's Comment – The documentation provided by Helen Keller did not adequately support the remaining $110,410 ($248,292 - $137,882) in direct care and administrative costs.

As noted previously, Helen Keller challenges the auditor's disallowance of the OTPS costs attributable to HKNC that were reported as agency administration, based upon the allegation that the methodology applied is inconsistent with the consolidated reporting requirements of the Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting (CFR) Manual and results in an inappropriate allocation of administrative costs.

As noted previously as well, Helen Keller Services files its CFRs on a total entity basis, encompassing both the Helen Keller Services for the Blind (HKSB) program and the Helen Keller National Center (HKNC) program. As reflected in the CFRs, direct program costs for both HKSB and HKNC are included in CFR-1 and CFR 2, respectively, and agency administration costs for both programs—including centralized, shared expenses that are not directly attributable to a single program—are reported on CFR 3 and allocated across all programs operated by the reporting entity.

The OTPS costs identified by the auditors represent agency level administrative expenses incurred in support of the consolidated organization. These costs were appropriately classified as agency administration and allocated in accordance with the ratio value method prescribed for CFR filers. The fact that certain administrative activities or expenses relate more directly to HKNC does not render those costs non reimbursable agency administration when the entity is reported on a total entity basis and HKNC direct program costs are included in CFR 2.

However, the auditors' approach removes HKNC related administrative OTPS costs from CFR 3 while continuing to include HKNC direct costs in CFR 2. This creates the same inconsistency identified with respect to administrative labor costs. By excluding HKNC administrative costs but retaining HKNC direct costs in the allocation base, the remaining agency administration costs—primarily attributable to HKSB—are allocated across both HKSB and HKNC programs, including the SED preschool cost-based program. This methodology results in an artificial shifting of administrative cost burden from the SED program to HKNC.

For the allocation methodology to be internally consistent and compliant with CFR reporting principles, one of the following approaches must be applied in full:

1. Full inclusion approach:

Retain both direct and administrative OTPS costs for HKSB and HKNC within the CFR, and allocate agency administration across all programs operated by the consolidated entity; or

2. Full exclusion approach:

If HKNC administrative OTPS costs are deemed non allowable, then all HKNC direct program costs must likewise be removed from CFR 2, so that agency administration costs are allocated solely among the remaining programs that benefit from those costs.

The auditors' current approach adopts neither standard and therefore produces a distorted allocation outcome that does not reflect the underlying cost structure of the consolidated organization. The disallowed OTPS costs do not represent non-program related expenses in substance; rather, they arise from an inconsistent application of allocation principles.

Accordingly, Helen Keller requests that the auditors reconsider the disallowance of HKNC related OTPS costs reported on CFR 3 and apply a consistent treatment of HKNC costs—either by fully including both direct and administrative costs in the CFR or by fully excluding HKNC from the CFR—so that agency administration costs are allocated in a fair, reasonable, and methodologically consistent manner. This would result in the removal of the audit disallowances.

State Comptroller's Comment – Costs directly related to HKNC are not agency administration; the RCM defines agency administration as those expenses that are not directly related to a specific program but are attributable to the overall operation of the agency. Instead, HKNC-specific costs should have been charged directly to HKNC, a division that is distinct from HKSB.

Miscellaneous Ineligible or Undocumented or Insufficiently Documented Cases

Helen Keller is unable at this time to provide the necessary invoice documentation in support of amounts $37,056, $3,990 and $453 as related to certain incurred costs which were reasonable, necessary and directly related to the special education program yet lacked supporting invoices. Strengthened record keeping policies now in place will prevent such errors in the future.

We appreciate the opportunity to provide comments on the Draft Report and the anticipated thoughtful consideration of our challenges and responses.

Very truly yours,

GREENBERG TRAURIG, LLP

Pamela A. Madeiros

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