

New York State Comptroller
THOMAS P. DiNAPOLI

State Education Department

Columbia County Arc d.b.a.

The Starting Place – Compliance
With the Reimbursable Cost Manual

October 2026 | Report 2025-S-16

Prepared by the Division of State Government Accountability

Audit Highlights

Objective

To determine whether the costs submitted by NYSARC, Inc. Columbia County Chapter d.b.a. The Starting Place (TSP) 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 TSP's CFRs for the fiscal year ended June 30, 2022, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2021.

About the Program

TSP is a not-for-profit special education provider located in Hudson that serves students from Columbia, Dutchess, Greene, and Ulster counties. TSP is authorized by SED to provide full-day Preschool Special Class and full-day Preschool Integrated Special Class to children with disabilities who are between the ages of 3 and 4 years. For the purposes of this report, these programs are referred to as the SED preschool cost-based programs. TSP also operated one other SED-approved preschool special education program: 1:1 Aides. However, payments for services under this program are based on fixed fees, as opposed to the cost-based rates established through financial information reported on CFRs. During the 2021–22 school year, TSP served approximately 53 children in the SED preschool cost-based programs.

The counties pay tuition to TSP using reimbursement rates set by SED. The State, in turn, reimburses the counties for a portion of the tuition paid. SED sets the special education rates based on financial information, including costs, that TSP reports to SED on its annual CFRs. For the 3 fiscal years ended June 30, 2022, TSP reported approximately \$3.8 million in reimbursable costs for the SED preschool cost-based programs.

Key Findings

For the 3 fiscal years ended June 30, 2022, we identified \$271,842 in reported costs that did not comply with the requirements in the RCM and CFR Manual, as follows:

- \$231,077 in staffing expenses in excess of SED's approved staffing ratios.
- \$35,198 in bonus payment compensation costs that were not in compliance with the RCM's guidelines.
- \$3,136 in unsupported, insufficiently documented, and non-allowable personal service costs.

- \$1,831 in non-allowable costs, including rent expenses, food for holiday parties, employee gifts, and related-party expenses.
- \$463 in excess executive compensation.
- \$137 in unsupported general ledger entries that were reported on the CFRs, including \$72 in other than personal service costs and \$65 in personal service costs.

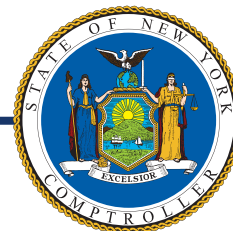
Key Recommendations

To SED:

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

To TSP:

- 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**

October 1, 2026

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

Karen Amanna
Chief Executive Officer
Columbia County Arc
Main Office
630 Route 217
Mellenville, NY 12544

Dear Dr. Rosa and Ms. Amanna:

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

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

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
SED	State Education Department	<i>Auditee</i>
CFR	Consolidated Fiscal Report	<i>Key Term</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
FTE	Full-time equivalent	<i>Key Term</i>
OTPS	Other than personal service	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>
TSP	The Starting Place	<i>Service Provider</i>

Background

NYSARC, Inc. Columbia County Chapter d.b.a. The Starting Place (TSP) is a not-for-profit special education provider located in Hudson, serving students from Columbia, Dutchess, Greene, and Ulster counties. TSP is 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 4 years. For the purposes of this report, these programs are referred to as the SED preschool cost-based programs. During the 2021–22 school year, TSP served approximately 53 children in the SED preschool cost-based programs.

In addition to the SED preschool cost-based programs, TSP operated one other SED-approved preschool special education program: 1:1 Aides. However, payments for services under this program are based on fixed fees, as opposed to the cost-based rates established through financial information reported on the Consolidated Fiscal Reports (CFRs).

The counties pay tuition to TSP using reimbursement rates set by SED. The State, in turn, reimburses the counties for a portion of the tuition paid. SED sets the special education rates based on financial information, including costs, that TSP reports to SED on its annual CFRs. Costs reported on the CFR must comply fully with the guidelines in SED's Reimbursable Cost Manual (RCM) regarding eligibility and documentation requirements and must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the 3 fiscal years ended June 30, 2022, TSP reported approximately \$3.8 million in reimbursable costs for the SED preschool cost-based programs.

Audit Findings and Recommendations

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the 3 fiscal years ended June 30, 2022, we identified \$271,842 in costs that TSP reported on its CFRs that did not comply with SED's requirements for reimbursement. These ineligible costs include \$269,939 in personal service costs and \$1,903 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 and help to safeguard assets and ensure reliable financial reporting and compliance with regulatory requirements. We attributed the disallowances detailed in this report to weaknesses in TSP'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, 2022, TSP reported approximately \$3 million in personal service costs for the SED preschool cost-based programs. We identified \$269,939 in personal service costs that did not comply with the RCM's requirements for reimbursement.

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 TSP's staffing levels reported on its CFRs to the SED-approved staffing ratios and found the following:

- For the fall semester of the fiscal year ended June 30, 2022, the SED-approved teacher staffing level for TSP's Preschool Special Class (over 2.5 hours per day) program was 0.548 full-time equivalents (FTEs). However, TSP reported 0.695 FTEs on its CFR. Additionally, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Special Class program was 2.192 FTEs. However, TSP reported 2.554 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$17,774 (\$14,564 in salaries and \$3,210 in fringe benefits).
- For the fall semester of the fiscal year ended June 30, 2022, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.856 FTEs. However, TSP reported 2.306 FTEs on its CFR. The

compensation associated with the excess teaching staff amounted to \$46,592 (\$38,874 in salaries and \$7,718 in fringe benefits).

- For the spring semester of the fiscal year ended June 30, 2022, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.924 FTEs. However, TSP reported 2.025 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$37,523 (\$30,823 in salaries and \$6,700 in fringe benefits).
- For the fall semester of the fiscal year ended June 30, 2021, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.856 FTEs. However, TSP reported 1.617 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$22,347 (\$18,902 in salaries and \$3,445 in fringe benefits).
- For the spring semester of the fiscal year ended June 30, 2021, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.924 FTEs. However, TSP reported 1.720 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$23,039 (\$18,923 in salaries and \$4,116 in fringe benefits).
- For the fall semester of the fiscal year ended June 30, 2020, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Special Class (over 2.5 hours per day) program was 3.424 FTEs. However, TSP reported 4.184 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$21,229 (\$17,549 in salaries and \$3,680 in fringe benefits).
- For the fall semester of the fiscal year ended June 30, 2020, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.856 FTEs. However, TSP reported 2.138 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$31,908 (\$27,126 in salaries and \$4,782 in fringe benefits).
- For the spring semester of the fiscal year ended June 30, 2020, the SED-approved teacher staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.924 FTEs. However, TSP reported 1.049 FTEs on its CFR. Additionally, the SED-approved teacher aide/assistant staffing level for TSP's Preschool Integrated Special Class (over 2.5 hours per day) program was 0.924 FTEs. However, TSP reported 1.847 FTEs on its CFR. The compensation associated with the excess teaching staff amounted to \$30,665 (\$25,752 in salaries and \$4,913 in fringe benefits).

TSP officials indicated the excess staffing was due to teacher vacancies being filled by teacher aides/assistants. However, our review indicated that some programs reported overages for both teachers and teacher aides/assistants. Additionally, TSP officials indicated the excess staffing was due to SED officials stating that TSP should report the teacher aides/assistants in their position, rather than in the position they were filling. According to SED officials, SED allows

schools to exceed staffing levels by 10% for substitute teachers. However, we found that most programs exceeded the approved staffing levels by more than 10%, with some exceeding them by 63%. Additionally, our analysis did not take into account substitute teachers, as they are reported under a different title code on the CFR.

We recommend that SED disallow \$231,077 in excess compensation costs (\$192,513 in salaries and \$38,564 in fringe benefits) for the 3 fiscal years ended June 30, 2022.

Bonus Payments

Retention/Sign-on Bonuses

According to the RCM, a retention bonus and a sign-on bonus are both non-recurring and non-accumulating (i.e., not included in the base salary of subsequent years) lump sum payments in excess of regularly scheduled salary provided as an incentive to remain in the employ of an entity. Both retention bonuses and sign-on bonuses are restricted to direct care titles/employees as defined by RCM Appendix A-1. The retention bonus terms must be articulated in a written employer-employee agreement, which must outline the requirements for receiving the bonus, the criteria used to determine eligibility and amount of the award, and the timing of payment. A retention bonus may not be paid during the first year of employment at an entity and may not exceed 5% of the salary or wage.

During the 3 fiscal years ended June 30, 2022, TSP reported \$32,997 (\$26,243 in salary and \$6,754 in fringe benefits) in retention bonuses to staff members who were in non-direct care titles, received the bonus during the first year of employment, and/or exceeded 5% of the employees' salary. Additionally, TSP reported \$1,880 (\$1,500 in salary and \$380 in fringe benefits) in sign-on bonuses to employees that were structured as recurring and accumulating payments.

Bonus Compensation

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

During the 3 fiscal years ended June 30, 2022, TSP reported \$321 (\$255 in salary and \$66 in fringe benefits) in bonus payments based on peer-driven nominations instead of formal performance evaluations.

We recommend that SED disallow \$35,198 (\$27,998 [\$26,243+\$1,500+\$255] in salary and \$7,200 [\$6,754+\$380+\$66] in related fringe benefits) in bonus payment expenses that were not in compliance with the RCM's guidelines.

Unsupported/Insufficiently Documented and Non-Allowable Expenses

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Furthermore, costs for staff—such as gifts, entertainment, and food—are not reimbursable unless otherwise specified in the RCM.

For the 3 fiscal years ended June 30, 2022, we selected a judgmental sample of 50 transactions reported as non-mandated fringe benefits on the CFR, totaling \$129,305, for review. We identified 14 transactions totaling \$3,136 in non-mandated fringe benefit costs that did not comply with the RCM's requirements, as follows:

- \$1,622 in food for staff.
- \$945 in gifts to staff, including Amazon, Target, and Visa gift cards.
- \$460 in health benefit expenses not sufficiently supported by premiums, invoices, and/or payments.
- \$109 in entertainment costs, including rental space for a spring dance and an employee award luncheon.

Consequently, we recommend that SED disallow \$3,136 in non-reimbursable, non-mandated fringe benefit costs.

Excess Executive Compensation

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

For each of the 3 fiscal years ending June 30, 2022, the Executive Director's FTE exceeded 1.0, equating to \$18,571 in compensation (\$14,774 in salary and \$3,797 in fringe benefits), of which SED previously disallowed \$12,983. Of the \$18,571, \$463 was allocated to the SED preschool cost-based programs.

We recommend that SED disallow \$463 in excess compensation that did not comply with SED's requirements. We note that SED had previously disallowed these costs.

Unsupported General Ledger Entries

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. The RCM states that 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. Further, the RCM states costs will not be reimbursable on field audit without appropriate written documentation.

For the 3 fiscal years ended June 30, 2022, we reconciled the personal service expenses TSP reported on its CFRs to its general ledgers. We found personal service costs of \$72 reported on its CFRs that were not supported by its general ledger, of which \$65 was allocated to the SED preschool cost-based programs. The transaction detail is the key information required to enable us to reconcile the amounts claimed on the CFRs to the amounts in the general ledgers as well as to help identify whether the costs claimed are reasonable, necessary, directly related to the special education programs, and sufficiently documented.

We recommend that SED disallow \$65 in personal service expenses that TSP reported on its CFRs but that were not supported by its general ledgers.

Other Than Personal Service Costs

For the 3 fiscal years ended June 30, 2022, TSP reported \$845,509 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 \$322,627. We determined that \$1,903 of these expenses did not comply with SED's reimbursement requirements.

Non-Allowable Expenses

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Certain costs, such as food for staff, gifts, and entertainment, are not reimbursable. The RCM also states that advertising costs for recruiting students into programs or soliciting fundraising monies or donations are not reimbursable and remain non-allowable in the calculation of tuition rates. Additionally, costs of organized fundraising (e.g., endowment drives to raise capital or obtain contributions) are not reimbursable. Furthermore, payments that represent "interest only" are not reimbursable. Lastly, transactions with related parties can only be reimbursed using actual documented costs of the owner or vendor.

For the 3 fiscal years ended June 30, 2022, we identified \$1,831 in OTPS costs that were ineligible for reimbursement, as follows:

- \$719 in non-allowable rent expenses.
- \$489 in entertainment costs, which included food for holiday parties.
- \$372 for employee gifts, which included gift cards, candy, mugs, tumblers, and mileage reimbursement to pick up such gifts.
- \$107 for an endowment drive.
- \$86 in overallocated costs for insurance and telephone expenses.

- \$43 in interest-only payments, non-program-related costs, and tax penalties.
- \$15 in related-party expenses that were ineligible for reimbursement.

Consequently, we recommend that SED disallow \$1,831 in non-allowable expenses that did not comply with the RCM requirements.

Unsupported General Ledger Entries

The RCM states that 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. Further, the RCM states costs will not be reimbursable on field audit without appropriate written documentation.

For the 3 fiscal years ended June 30, 2021, we reconciled the OTPS expenses that TSP reported on its CFRs to its general ledgers. We found OTPS costs of \$92 reported on its CFR that were not supported by its general ledger, of which \$72 was allocated to the SED preschool cost-based programs. The transaction detail is the key information required to enable us to reconcile the amounts claimed on the CFRs to the amounts in the general ledgers as well as to help us identify whether the costs claimed are reasonable, necessary, directly related to the special education programs, and sufficiently documented.

We recommend that SED disallow \$72 in OTPS expenses that TSP reported on its CFRs but that were not supported by its general ledgers.

Recommendations

To SED:

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

To TSP:

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 submitted by TSP 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 TSP's CFR for the fiscal year ended June 30, 2022, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2021.

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

We used a non-statistical sampling approach to provide conclusions on our audit objective and to test internal controls and compliance. We selected a judgmental sample of reported costs to determine whether they were supported, program-related, and reimbursable. Specifically, we reviewed costs that were considered high risk and reimbursable in limited circumstances based on prior audit report findings, such as salaries and fringe benefit expenses, cost allocations, and OTPS expenses. Our samples were based on the relative materiality of the various categories of costs reported and their associated levels of risk. For specific costs we identified as not reimbursable, we expanded our review to prior years. 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 the TSP's general ledgers and other financial systems and assessed the reliability of that data by interviewing officials knowledgeable about the system and tracing to and from source data. We determined that the data from these systems was sufficiently reliable for the purposes of this report.

Statutory Requirements

Authority

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

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

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. These duties may be considered management functions for the purpose 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 TSP's compliance with the RCM and the CFR Manual.

Reporting Requirements

We provided a draft copy of this report to SED and TSP 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. SED officials agreed with the audit recommendations and indicated the actions they will take to address them. TSP officials generally agreed with the audit recommendations; however, they disagreed with the finding regarding excess staffing. Our response to certain TSP comments is embedded within its response as a State Comptroller's Comment.

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

Columbia County Arc d.b.a The Starting Place – Summary of Reported and Disallowed Program Costs for the 3 Fiscal Years Ended June 30, 2022

Program Costs	Amount Reported on CFR	Amount Disallowed	Amount Remaining
Personal Services			
Direct Care	\$2,795,447	\$260,843	\$2,534,604
Agency Administration	\$196,734	\$9,096	\$187,638
Total Personal Services	\$2,992,181	\$269,939	\$2,722,242
Other Than Personal Services			
Direct Care	\$808,020	\$1,339	\$806,681
Agency Administration	\$37,489	\$564	\$36,925
Total Other Than Personal Services	\$845,509	\$1,903	\$843,606
Total Program Costs	\$3,837,690	\$271,842	\$3,565,848

Notes A and C–G correspond with personal services.

Notes A, B, and H–M correspond with other than personal services.

Notes to Exhibit

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

- A. RCM Section II – Costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. Such reimbursable costs will be included in the calculation of tuition rates up to any limits or cost parameters approved annually in the rate-setting methodology. Furthermore, the RCM states that 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.
- B. RCM Section II.3.A – Advertising costs for the purpose of recruiting students into programs or soliciting fundraising monies or donations are not reimbursable and remain non-allowable in the calculation of tuition rates.
- C. RCM Section II.13.A.4.(d) – For non-direct care staff under the 500 and 600 position title code series per Appendix R of the CFR Manual, and for owners or related parties who work in more than one entity and/or in more than one job title (including organizations that have a less-than-arm's-length relationship with the approved program), the FTE in total across entities or job title cannot exceed 1.000 FTE. Compensation beyond 1.000 FTE for non-direct care staff, owners, or related parties will not be considered reimbursable in the calculation of tuition rates.
- D. RCM Section II.13.A.4.(e) – Direct care student-to-staff ratios shall not exceed the approved staffing levels supported by SED's program approval letter. Any net excess of staff will not be included as part of reimbursable costs in the program's reconciliation tuition rate.
- E. RCM Section II.13.A.10.(a) – A merit bonus 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. It 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. Additionally, 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's Appendix R.

- F. 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. The terms must be articulated in a written employer-employee agreement.
- G. RCM Section II.13.A.14 – A retention 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 remain in the employ of an entity. The terms of the bonus must be articulated in a written employer-employee agreement outlining the requirements for receiving the bonus, the criteria used to determine eligibility, and the amount of the award. Additionally, retention bonuses are restricted to direct care titles/employees, may not be paid during the first year of employment, and cannot exceed 5% of the salary, wage, or payment of service.
- H. RCM Section II.20.B – Entertainment costs and personal costs such as personal travel expenses, laundry charges, beverage charges, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on a personal vehicle, rental expenses for personal apartments, are not reimbursable unless specified otherwise in the RCM.
- I. RCM Section II.22.C – Costs of food provided to staff, including lunchroom monitors, are not reimbursable.
- J. RCM Section II.23 – Costs of organized fundraising (i.e., financial campaigns, endowment drives, or solicitation of gifts and bequests) to raise capital, or to obtain contributions, are not reimbursable.
- K. RCM Section II.28.C.5 – Payments that represent “interest only” are not reimbursable unless otherwise approved by the Commissioner’s designated representative.
- L. CFR Manual Section 15.38 – Administration costs allocated by a parent organization to the provider must be reported. Documentation that must be submitted to support reported costs includes:
 - a. Total parent agency administration costs;
 - b. A breakdown of the total parent agency administration costs that were allocated to subsidiaries, affiliates, and/or members;
 - c. The methodology used to allocate the total parent agency administration costs to subsidiaries, affiliates, and/or members.

Additionally, the CFR Manual notes that NYSARC provider chapters do not need to submit supporting documentation, as NYSARC submits it directly to all applicable NYS agencies on behalf of all its chapter members.

- M. CFR Manual, Appendix X, Section 57 – Costs resulting from violation of, or failure to comply with, federal, State, and local government laws, rules, and regulations, including

finer, parking tickets, or the costs of the insurance policies obtained solely to insure against such penalties.

SED Response



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

Ceylane Meyers-Ruff, Senior Deputy Commissioner
Education Building, Room 125 EB (518) 474-7542
89 Washington Avenue
Albany, NY 12234
Ceylane.Meyers-Ruff@nysed.gov

September 4, 2026

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

Dear Ms. Morrell:

The following is the New York State Education Department's (SED) response to the draft audit report, 2025-S-16, *Columbia County ARC d.b.a. The Starting Place (TSP) - 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 TSP's CFRs and to TSP'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 TSP 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 TSP'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 TSP of the opportunity to participate in 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,

A handwritten signature in black ink, reading "Ceylane Meyers-Ruff". The signature is written in a cursive, flowing style.

Ceylane Meyers-Ruff
Senior Deputy Commissioner

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

TSP Response and State Comptroller's Comment



September 17, 2026

Ms. Nancy Hobbs
Office of the State Comptroller
110 State Street, 11th Floor
Albany, NY 12236

Dear Ms. Hobbs:

The following is NYSARC, Inc. Columbia County Chapter (d.b.a. The Starting Place (TSP)) response to the draft audit report 2025-S-16, Compliance With the Reimbursable Cost Manual. *Please also note that effective 6/1/26, we are now The Arc Columbia-Saratoga.*

Personal Service Costs

Excess Student-to-Staff Ratio:

We respectfully challenge the disallowance of \$231,077 related to excess compensation costs. As shared with the auditors, the excess staffing was due to teacher vacancies filled by teacher aides/assistants. TSP provided documentation to the auditors that shared communication from SED officials stating that TSP should report the teacher aides/assistants in their position, not in the position they were filling. Nowhere in the communication from SED officials did it state that the school could not exceed staffing levels by more than 10%. It is important to recognize that the audit period included the unprecedented impact of the Covid-19 Pandemic. The school faced extraordinary operational and financial challenges during this time, specifically in teacher vacancies. Despite these challenges, our staff (teacher aides/assistants specifically), remained dedicated to ensuring the continuity of care and educational services for our students.

State Comptroller's Comment – We acknowledge the difficulties caused by the COVID-19 pandemic. However, as stated on pages 9–10 of the report, SED officials stated that SED allows

[schools to exceed staffing levels by 10% for substitute teachers, and we found that most programs exceeded the approved staffing levels by more than 10%.](#)

Bonus Payments:

We do not dispute the disallowance of \$35,198 for sign-on, retention, and peer driven nominated bonus payments. We understand that these do not meet the requirements of the RCM. However, it should be noted that when our agency's financial position allows us to provide an incentive to improve overall retention during an unprecedented crisis/pandemic, we believe these efforts have positively impacted on our staffing levels. TSP will develop a policy addressing one-time payments to employees.

Unsupported/Insufficiently Documented and Non-Allowable Expenses:

We do not dispute the \$3,136 and understand these costs do not meet the requirements of the RCM. However, it should be noted that when our agency's financial position allows us to provide an incentive to improve overall retention and morale (such as \$1,622 food for staff, \$945 for staff gifts and \$109 for an awards luncheon and dance) during an unprecedented crisis/pandemic, we believe these efforts have positively impacted our employee retention and experience. As of the end of the audit, we were still unclear as to what the \$460 in unsupported benefit expenses were as we scanned thousands of pages of premiums/invoices and payments documentation to substantiate these expenses.

Excess Executive Compensation:

We do not dispute the disallowance of \$463 and agree that the FTE for this position should not exceed 1.0. We will make sure that future CFR's only report 1.0 FTE for this position.

Unsupported General Ledger Entries:

We do not dispute the disallowance of \$65 for costs that were not in compliance with the RCM or sufficiently documented. We will take steps to improve our internal controls to ensure all supporting documentation can be made available in the future.

Other Than Personal Service Costs

Non-Allowable Expenses:

We do not dispute the \$1,831 and understand that these costs do not meet the requirements of the RCM. However, it should be noted that when our agency's financial position allows us to provide an incentive to improve overall retention and morale (such as \$489 in food for holiday

parties or \$372 for employee gifts such as cards, candy and mugs) during an unprecedented crisis/pandemic, we believe these efforts have positively impacted our employee retention and experience. The remaining costs for rent, endowment drive, insurance, telephone, interest and related party expenses are not disputed and the agency will take steps to improve our internal controls so that only allowable, reasonable, necessary, and directly related to the program are included in the CFR.

Unsupported General Ledger Entries:

We do not dispute the disallowance of \$72 for costs that were not in compliance with the RCM or sufficiently documented. We will take steps to improve our internal controls to ensure all supporting documentation can be made available in the future.

Thank you for the opportunity to respond to this report. If you have any further questions regarding our response or our agency, please feel free to contact me at 518-672-4451 or kamanna@arccs.org.

Sincerely,
Karen Amanna
Chief Executive Officer



Contact

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

(518) 474-4044

www.osc.ny.gov

Prepared by the Division of State Government Accountability

Executive Team

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

Audit Team

Nadine Morrell – Audit Director
Theresa Podagrosi – Audit Manager
Lauren Magur – Audit Supervisor
Nancy Hobbs – Examiner-in-Charge
Mahad Arshad – Audit Staff
Christopher Lance – Audit Staff
Sean Sadowski – Audit Staff
Noah Weinberger – Audit Staff
Brianna Edwards – Student Assistant



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