

New York State Comptroller
THOMAS P. DiNAPOLI

State Education Department

The Children's Home of Kingston
– Compliance With the Reimbursable Cost
Manual

October 2026 | Report 2025-S-7

Prepared by the Division of State Government Accountability

Audit Highlights

Objective

To determine whether the costs reported by the Children's Home of Kingston (CHK) 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 the CHK's CFR for the fiscal year ended June 30, 2022, and certain expenses claimed on its CFRs for the 2 fiscal years ended June 30, 2021.

About the Program

CHK is a Kingston-based not-for-profit organization approved by SED to provide School-Age Special Class services to children with disabilities ages 8 to 21 years. For the purposes of this report, we refer to this program as the SED cost-based program. During the fiscal year ended June 30, 2022, CHK served 44 students with disabilities in the SED cost-based program. In addition to the SED cost-based program, CHK operated other SED-approved programs such as 1:1 Aides. However, payment for services under these additional programs is based on fixed fees rather than cost-based rates established through financial information reported on CFRs. During our audit scope, CHK also operated a Residential Program funded by the Office of Children and Family Services and a program funded using grants from the U.S. Department of Health and Human Services Administration for Children & Families' Office of Refugee Resettlement (ORR), the Unaccompanied Alien Children Shelter Program (ORR Program).

Various New York State local education districts, including but not limited to those located in Ulster, Oneida, and Schenectady counties, refer students to CHK and pay for CHK's services using rates established by SED. The rates are based on the financial information that CHK reports to SED on its annual CFRs. To qualify for reimbursement, CHK's reported costs must comply with the criteria in SED's RCM and the 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 related to multiple programs and entities.

For the 3 fiscal years ended June 30, 2022, CHK reported \$6,289,798 (\$5,233,219 in personal service costs and \$1,056,579 in other than personal service costs) in expenses for the SED cost-based program.

Key Findings

For the 3 fiscal years ended June 30, 2022, we identified \$670,549 in reported costs that did not comply with the requirements in the RCM and the CFR Manual including:

- \$201,518 in insufficiently supported other than personal services (OTPS) costs. CHK did not maintain required records supporting the actual costs (such as invoices), allocation methodology, and its basis, or its records did not contain required details in support of these expenses. This includes an overallocated share of expenses provided for the benefit of CHK's Residential Program and/or its ORR Program.
- \$198,335 in costs for 1:1 Aides incorrectly charged to the SED cost-based program. These costs should have been charged directly to the 1:1 Aides program.
- \$118,788 in non-program personal services costs allocated to the SED cost-based program. This includes the salaries and fringe benefits of staff of its ORR Program and CHK's former Director of its Residential Program.
- \$107,236 in overallocated facility-related expenses.
- \$25,689 in unsupported payroll expenses. CHK reported compensation costs for eight employees in excess of the amounts documented in the employees' personnel records.
- \$18,983 in expenses that did not comply with the RCM and/or the CFR Manual's requirements. This includes \$18,337 in expenses that were reported in the incorrect CFR reporting period, as well as \$646 in overallocated agency administration expenses.

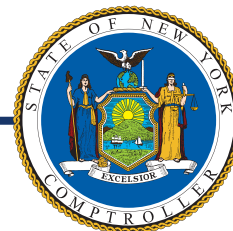
Key Recommendations

To SED:

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

To CHK:

- 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 2, 2026

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

Leila Santana
Chief Executive Officer
The Children's Home of Kingston
26 Grove Street
Kingston, NY 12401

Dear Dr. Rosa and Ms. Santana:

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

Following is a report, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the costs submitted by the Children's Home of Kingston to the State Education Department for the purpose of establishing the special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4405(4)(h) of the State Education Law.

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

Respectfully submitted,

Division of State Government Accountability

Contents

Glossary of Terms	6
Background	7
Audit Findings and Recommendations	8
Personal Services	8
Other Than Personal Services Costs	10
Recommendations	12
Audit Objective, Scope, and Methodology	13
Statutory Requirements	14
Authority	14
Reporting Requirements	14
Exhibit	15
Notes to Exhibit	16
SED Response	20
CHK Response and State Comptroller's Comments	22

Glossary of Terms

Term	Description	Identifier
SED	State Education Department	<i>Auditee</i>
CFR	Consolidated Fiscal Report	<i>Report</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
CHK	The Children's Home of Kingston	<i>Service Provider</i>
ORR	U.S. Department of Health and Human Services Administration for Children & Families' Office of Refugee Resettlement	<i>Agency</i>
ORR Program	ORR-funded Unaccompanied Alien Children Shelter Program	<i>Key Term</i>
OTPS	Other than personal services	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>
Regulations	Regulations of the Commissioner of Education	<i>Law</i>

Background

The Children's Home of Kingston (CHK) is a Kingston-based not-for-profit organization approved by the State Education Department (SED) to provide School-Age Special Class services to children with disabilities ages 8 to 21 years. For the purposes of this report, we refer to this program as the SED cost-based program. During the fiscal year ended June 30, 2022, CHK served 44 students with disabilities in the SED cost-based program. In addition to the SED cost-based program, CHK operated other SED-approved programs such as 1:1 Aides. However, payment for services under these additional programs is based on fixed fees rather than cost-based rates established through financial information reported on Consolidated Fiscal Reports (CFR). During our audit scope, CHK also operated a Residential Program funded by the Office of Children and Family Services and a program funded using grants from the U.S. Department of Health and Human Services Administration for Children & Families' Office of Refugee Resettlement (ORR), the Unaccompanied Alien Children Shelter Program (ORR Program).

Various New York State local education districts, including but not limited to those located in Ulster, Oneida, and Schenectady counties, refer students to CHK and pay for CHK's services using rates established by SED. The rates are based on the financial information that CHK reports to SED on its annual CFRs. To qualify for reimbursement, CHK's reported costs must comply with the criteria in 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 related to multiple programs and entities.

For the 3 fiscal years ended June 30, 2022, CHK reported \$6,289,798 in reimbursable costs for the SED cost-based program. This audit focused primarily on expenses claimed on CHK's CFR for the fiscal year ended June 30, 2022, and certain expenses reported on its CFRs for the 2 fiscal years ended June 30, 2021.

Audit Findings and Recommendations

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the 3 fiscal years ended June 30, 2022, we identified \$670,549 in reported costs that did not comply with SED's reimbursement requirements. These ineligible costs include \$342,812 in personal service costs and \$327,737 in other than personal service (OTPS) costs (see Exhibit at the end of the report).

Strong internal controls are critical to the overall health of an organization. These controls help to safeguard assets and ensure reliable financial reporting and compliance with regulatory requirements. We attribute the disallowance detailed in this report to weaknesses in CHK's internal controls over its compliance with SED's guidelines. CHK's management failed to implement appropriate internal controls, including record retention and other business practices, that would help ensure compliance with cost reporting requirements.

In addition, we experienced delays during the audit, including delays in CHK's response to requests for records in support of sampled costs. CHK officials explained that, due to significant changes to its leadership (before and during the audit engagement), CHK needed additional time to provide the items requested.

Personal Services

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the service providers' 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, CHK reported \$5,233,219 in personal service costs for the SED cost-based program. We identified \$342,812 in personal service costs that did not comply with the RCM's reimbursement requirements.

Non-Reimbursable 1:1 Aide 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. According to the RCM and CFR Manual, all 1:1 Aide costs (fringe benefits and allocated direct and indirect costs) should be reported in a separate cost center on the providers' CFRs.

During the 3 fiscal years ended June 30, 2022, CHK officials claimed \$198,335 (\$161,618 in salaries and \$36,717 in fringe benefits) in compensation costs for seven employees reported as 1:1 Aide services under the SED cost-based program. However, the costs for 1:1 Aides should have been reported on the provider's CFR under the fixed-fee 1:1 Aides program cost center.

We recommend that SED disallow \$198,335 in compensation costs that were incorrectly charged to the SED cost-based program.

Non-Program 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. For shared staff, 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. 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. Actual hours of service are the preferred statistical basis for allocating salaries and fringe benefits for shared staff who work on multiple programs.

For the 3 fiscal years ended June 30, 2022, we identified \$118,788 in compensation costs that did not comply with the RCM and the CFR Manual's requirements, as follows:

- \$75,314 (\$61,018 in salaries and \$14,296 in fringe benefits) in overallocated personal services costs reported for four sampled employees. According to the employees' personnel records, these employees also provided services to CHK's ORR Program during this period. Using CHK's records and the RCM's guidance on acceptable allocation methodologies, we determined that CHK overallocated \$75,314 to the SED cost-based program.
- \$43,474 (\$35,450 in salaries and \$8,024 in fringe benefits) paid to CHK's Director of its Residential Program during the 2 fiscal years ended June 30, 2021. The Director should have been charged to CHK's Residential Program.

Consequently, we recommend that SED disallow the \$118,788 in non-reimbursable compensation costs that did not comply with the requirements of the RCM and CFR Manual.

Unsupported Payroll 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. Compensation costs must be based on approved, documented payrolls supported by employee time records prepared during, not after, the time period for which the employee was paid. Compensation for personal services includes all salaries and wages, as well as fringe benefits and pension plan costs. The RCM requires entities operating approved programs to develop employer-employee agreements with written salary, wage, or payment for services scales and issue them to employees.

During the 3 fiscal years ended June 30, 2022, CHK reported \$25,689 in compensation expenses for eight employees in excess of the amounts documented in the employees' personnel records. In their response to our preliminary findings, CHK officials stated that the discrepancies could be due to overtime pay, number of hours worked each day for hourly workers, severance, and/or personal time-off payouts. However, CHK officials did not provide records to support any of these items.

We recommend SED disallow \$25,689 (\$20,840 in salaries and \$ 4,849 in fringe benefits) in unsupported compensation costs.

Other Than Personal Services Costs

For the 3 fiscal years ended June 30, 2022, CHK reported \$1,056,579 in OTPS costs for its SED cost-based program. To determine whether these expenses complied with SED's reimbursement requirements, we judgmentally selected a sample of OTPS expenses totaling \$453,149. We identified \$327,737 of these expenses that did not comply with SED's reimbursement requirements.

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. Costs will not be reimbursable on field audit without appropriate written documentation, and entities operating approved programs should retain all pertinent accounting, allocation, and enrollment/attendance records supporting the reported costs. Vehicle logs must be maintained to document fuel charges, mileage, and repair costs for all program-owned vehicles. Gifts of any kind are not reimbursable. Travel expenses for any non-employee (e.g., consultants, independent contractors) are not reimbursable. Fines and penalties resulting from violations of or failure by the entity to comply with federal, State, and/or local laws and regulations, as well as punitive damages, are not reimbursable. Costs of food provided to any staff are not reimbursable. Loan procurement fees and credit card fees are not reimbursable. Costs of publications for fundraising are not reimbursable. Clothing expenses for staff, excluding Security and Housekeeping and Maintenance, such as uniforms, even if required by school policy, are not reimbursable and are considered personal expenses. In addition, 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. For consultants, 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 dates, number of hours provided, and fee per hour; and the total amount charged.

For the 3 fiscal years ended June 30, 2022, we identified \$201,518 in OTPS expenses that did not comply with SED's reimbursement requirements, as follows:

- \$148,839 in non-reimbursable or insufficiently supported expenses. This included expenses for which CHK did not provide invoices, as well as expenses for which the records provided did not contain information required by the RCM. For example, although CHK reported \$30,456 in depreciation expenses, officials did not provide sufficient details of the items depreciated.
- \$19,380 in unsupported or insufficiently documented audit, legal, and accounting costs. This included costs associated with retainers for which CHK did not provide details of the actual services provided.

- \$12,506 in contracted direct care and clinical personal services costs that were not supported with itemized invoices, as required by the RCM, or were missing the specific services provided.
- \$12,473 in non-reimbursable expenses. This included food for staff, expenses related to its fundraising events, travel expenses of non-employees, and other gift and entertainment expenses.
- \$8,320 in non-program expenses. This included overallocated expenses associated with CHK's ORR and Residential programs.

We recommend that SED disallow \$201,518 in expenses that did not comply with the RCM's requirements.

Overallocation of Space

According to the RCM, entities operating programs must use allocation methods that are fair and reasonable. According to the CFR Manual, when programs share the same geographic location or more than one State agency is served at the same geographic location, property and related costs must be allocated between the programs/State agencies benefiting from those resources. These costs include expenses such as utilities, repairs and maintenance, depreciation, leases, or mortgage interest. The CFR Manual recommends square footage as a fair allocation basis for allocating this cost, but permits the use of any other reasonable method only if the recommended method is not reasonable or possible. However, the RCM requires that providers maintain and retain records on the allocation methods, as well as the statistical basis used to calculate allocation percentages, for each fiscal year for review upon audit.

During our audit scope, CHK provided services to multiple government agencies from its Kingston location. However, despite the CFR Manual's guidelines, CHK officials did not maintain required records supporting its shared space, its allocation methodology, and its allocation basis. In addition, for the fiscal year ended June 30, 2020, although CHK allocated its shared facility cost using an alternate allocation methodology (based on the percentage of staff compensation CHK reported in its trial balance for each program), officials did not provide the required records supporting such allocation. Similarly, for the 3 fiscal years ended June 30, 2022, CHK did not maintain records supporting its allocation methodology. Instead, officials informed us that they were not sure of the source of the square feet used in its analysis, including the square feet for one of its buildings (used for CHK's non-SED program) that was sold in 2025 and was thus unavailable for an independent review. It is concerning that, despite reporting shared costs for reimbursement during each of the 3 fiscal years to various State agencies and a federal grant program, CHK officials did not maintain adequate control over the cost-reporting process.

Using the limited records available to the audit team, and after conducting our own measurement of CHK's available space, we determined that CHK overallocated \$107,236 in facility costs to the SED cost-based program.

We recommend that SED disallow \$107,236 in OTPS costs that did not meet the requirements of the RCM and CFR Manual.

Incorrect Reporting Period and Overallocated Costs

According to the RCM, entities operating programs must maintain accounts in accordance with generally accepted accounting principles. This includes utilizing a system of accounting with an accrual basis. According to the CFR Manual, only expenses and revenues for the proper CFR reporting period should be included on the CFR. In addition, the RCM defines agency administration costs as expenses that are not directly related to a specific program but are attributable to the overall operation of the agency. Agency administration costs are to be reported under the appropriate CFR schedule for reporting agency administrative costs, which then would be allocated to all programs operated by the entity based on the ratio value method of allocation.

For the 3 fiscal years ended June 30, 2022, we identified \$18,983 in expenses that did not comply with the RCM and/or Manual's requirements as follows:

- \$18,337 in expenses claimed in the incorrect CFR reporting period. This included late payment fees; supply expenses; and accounting, auditing, and related expenses incurred outside of the reporting years.
- \$646 in various agency administrative costs, such as repairs and maintenance, and purchases of supplies that officials overallocated to the SED cost-based program's costs.

We recommend SED disallow \$18,983 in costs that did not comply with the RCM and CFR Manual requirements.

Recommendations

To SED:

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

To CHK:

- 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 CHK on its CFRs were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to SED guidelines, including the RCM and the CFR Manual. The audit focused primarily on expenses claimed on the Children's Home of Kingston'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, CFR Manual, Regulations of the Commissioner of Education, CHK's CFRs, and relevant financial and program records for the audited period. We also interviewed CHK officials and staff to obtain an understanding of CHK'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 objectives 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. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples are discussed in detail in the body of our report.

We obtained data from CHK's general ledger 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

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, and Section 4405(4)(h) of the State Education Law.

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

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

Reporting Requirements

We provided a draft copy of this report to both SED and CHK 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 they will take steps to address them. CHK officials disagreed with certain proposed disallowances. Our responses to certain remarks are embedded in CHK'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

The Children's Home of Kingston – Summary of Submitted 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	\$4,578,488	\$297,354	\$4,281,134
Agency Administration	\$654,731	\$45,458	\$609,273
Total Personal Services	\$5,233,219	\$342,812	\$4,890,407
Other Than Personal Services			
Direct Care	\$790,476	\$135,779	\$654,697
Agency Administration	\$266,103	\$191,958	\$74,145
Total Other Than Personal Services	\$1,056,579	\$327,737	\$728,842
Total Program Costs	\$6,289,798	\$670,549	\$5,619,249

Notes A–C, E, F, H, Q, R, and W pertain to personal services.
Notes A–D, G–P, and S–CC pertain to OTPS.

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 CHK officials during the course of our audit.

- A. RCM Section 1.3.B – Entities operating approved programs must use the accrual basis of accounting and maintain accounting books of original entries including asset, liability and fund balance, or equity accounts, as well as expenditure and revenue accounts.
- B. 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. These costs include: costs for the overall direction of the organization; costs for general recordkeeping, budget, and fiscal management; costs for public relations (non-fundraising); and costs for parent agency expenditures.
- C. RCM Section II – Costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented.
- D. RCM Section II.11 – Clothing expenses for staff, excluding Security (Position Title Code 105) and Housekeeping and Maintenance (Position Title Code 102), such as uniforms, even if required by school policy, are not reimbursable and are considered to be personal expenses.
- E. RCM Section II.13.A.1 – Salaries include all taxable and non-taxable salaries and wages paid or accrued to employees on the agency payroll, including severance pay to regular employees, payment for services (fee for service), and per diem pay. Entities operating approved programs shall develop employer-employee agreements with written salary, wage, or payment for services scales and issue them to employees. Compensation pursuant to a payment for services or per diem pay scale does not eliminate the requirement of an employer-employee agreement.
- F. RCM Section II.13.A.4.(e) – Direct care student-to-staff ratios shall not exceed the approved staffing levels supported by the Department'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.
- G. 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.

- H. RCM Section II.17.A.9 – If assets are shared by more than one program and/or entity, the share of depreciation expense allocated to programs funded pursuant to Article 81 and/or Article 89 shall be based on documented and reasonable criteria
- I. 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.
- J. RCM Section II.21 – Fines and penalties resulting from violations of or failure by the entity to comply with federal, State, and/or local laws and regulations, and punitive damages, are not reimbursable.
- K. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- L. 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. However, reasonable and necessary costs associated with the procurement and retention of donated services used for IEP-mandated services either directly or indirectly, may be reimbursable as long as the program can demonstrate that cost savings exist and that there is a direct benefit to the students in the program through the use of such donated services.
- M. RCM Section II.24 – Gifts of any kind are non-reimbursable.
- N. RCM Section II.26.B – Any claimed excess of actual government (federal, State, or local) grant expenses over approved budgeted grant expenses is not reimbursable through the tuition rate for either current or prior years, except for costs of staff or consultants to prepare a proposal to obtain a government grant or to administer the activities or projects funded by such grants may be reimbursable within the tuition rate as a non-direct care expense to the extent that such costs remain net of all administrative expenses allowed by the grantor.
- O. RCM Section II.60.D.5 – A vehicle log must be maintained to document fuel charges, mileage, and repair costs for all program-owned vehicles.
- P. RCM Section II.60.F – Travel expenses of spouses, family members, or any non-employee (e.g., consultants, independent contractors) are not reimbursable unless the spouse or family member is an employee of the entity and a legitimate business purpose exists for them to travel.
- Q. 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.

- R. 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.
- S. 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 dates, number of hours provided, and fee per hour; and the total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served, the actual dates of service, and the number of hours of service to each child on each date.
- T. 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.
- U. 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.
- V. RCM Section III.1.J.2 – Vehicle use must be documented with individual vehicle logs that include at a minimum: the date, time of travel, to and from destinations, mileage between each, purpose of travel, and name of traveler; provided that for a vehicle solely used by maintenance staff in performing assigned duties such as building/property upkeep and repairs, a weekly log must be maintained and must include the beginning and ending dates of the week, the beginning and ending mileage and a signature of a designated supervisor attesting that the logged mileage was used solely by maintenance/building staff with a description of the maintenance activities that were performed using the vehicle that week. If the vehicle was assigned to an employee, also list the name of the employee to whom it was assigned. The annual mileage for program purposes and repair and maintenance costs for each vehicle should be summarized and maintained.
- W. 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.

- X. 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.
- Y. 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.
- Z. RCM Section III.2.A – Entities operating programs must maintain accounts in accordance with generally accepted accounting principles and Section 200.9 (d) of the Commissioner’s Regulations.
- AA. CFR Manual Section 3.0 (Page 3.3) – Only expenses and revenues for the proper CFR reporting period should be included in the CFR. CFRs submitted with expenses and revenue for a different reporting period will not be accepted.
- BB. 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.
- CC. CFR Manual Appendix J (Page 43.3) – When programs share the same geographic location or more than one State agency is served at the same geographic location, property and related costs must be allocated between the programs/State agencies benefiting from those resources. These costs include expenses such as utilities, repairs and maintenance, depreciation, leases, or mortgage interest. The most common method uses square footage as the statistical basis.

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

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

Dear Mr. Sifontes:

The following is the New York State Education Department's (SED) response to the draft audit report, 2025-S-7, *The Children's Home of Kingston (CHK) – 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 CHK's CFRs and to CHK'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:

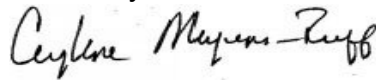
"Remind CHK officials of the pertinent SED requirements that relate to the deficiencies we identified."

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend that CHK'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 CHK to 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 school-age special education providers upon approval.

If you have any questions regarding this response, please contact Nell Brady, Director of the Rate Setting Unit, at (518) 474-1298.

Sincerely,

A handwritten signature in black ink, appearing to read "Ceylane Meyers-Ruff".

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

CHK Response and State Comptroller's Comments



THE CHILDREN'S HOME OF KINGSTON

September 16, 2026

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

Response to Draft Report 2025-S-7 SED/Children's Home of Kingston

Dear Mr. Sifontes:

We have reviewed the above referenced Draft Audit Report which is based on an audit of the costs submitted by the Children's Home of Kingston ("CHK") to the State Education Department for three fiscal years ending June 30, 2020, 2021 and 2022. We appreciate the opportunity to provide our comments on each of the respective audit findings and recommendations.

Personal Services:

Non-Reimbursable 1:1 Aide Costs

OSC audit finding indicated that CHK claimed \$251,041 in compensation costs for seven employees within the SED cost-based program when the 1:1 Aides should have been reported under the fixed-fee 1:1 Aides program cost center for the three fiscal years ended June 30, 2022.

State Comptroller's Comment – We revised the claimed compensation costs in our report from \$251,041 to \$198,335.

CHK Comments:

As indicated in the preliminary report, CHK is not in agreement with the finding. CHK has hired staff under the job title One to One Aide, however, depending on 1-1 Aide IEP needs, staff may function under other job titles. As can be seen below, in all three reporting periods, CHK reported at least the amount of Program 9230 1-1 Aide required staff hours.

	FY 19/20	FY 20/21	FY 21/22
Program 9230 CFR Hours Reported	6,666	3,404	280
Required Hours (based upon 5 hour/day)	4,260	2,704	280
Over (Under) Required Hours	2,406	700	0

State Comptroller's Comment – We do not challenge CHK's authority to hire or assign staff as 1:1 Aides or in other job titles. Rather, our review assessed whether CHK provided sufficient documentation, as required by the RCM, to support costs claimed for reimbursement. For the sampled staff, CHK did not provide support for the amounts charged to the SED cost-based program.

The required revenues were reconciled back to amounts paid to the agency for One to One service. All the actual and required One to One Aide hours were properly recorded in Program 9230. The agency has documentation which was furnished to the OSC to justify that the staff did work in the classroom other than as a One to One Aide. The documentation, not all inclusive, was sample documentation to support time reported within the classroom program for the staff in question. The agency reported sufficient One to One Aide staff within the program and any time charged to the classroom was not for One to One Aide support.

State Comptroller's Comment – Although we requested it, CHK did not provide documentation to support the amounts charged to the 9002 (School-Age Special Class) program. For example, although we identified the seven sampled staff and provided CHK with their details, CHK officials did not provide the requested records for three of the seven. Moreover, for the remaining four, as noted in its own response, the records CHK provided were "not all inclusive, [and] was sample documentation" and did not support the amounts reported for reimbursement. However, we reviewed the documentation provided and made the necessary adjustments to the recommended disallowance, as appropriate.

Non-Program Expenses

OSC audit finding indicated that CHK reported \$75,314 in overallocated personal service costs reported for four sampled employees. As indicated in the preliminary report, CHK is not in agreement with the finding.

CHK Comments:

As explained, employees at CHK must enter their time into payroll and select the related cost center applicable to their work performed. The employees OSC questioned for FY 20/21 and FY 21/22, all entered time worked into payroll for cost centers applicable to the SED programs. The employees were primarily Cafeteria, Maintenance and Security staff who were allocated for the CFR as their work spans across the entire agency.

State Comptroller's Comment – These statements are inaccurate. CHK did not provide documentation that shows these individuals supported agency-wide programs. Moreover, although CHK reported the disallowed costs as a direct expense of the SED cost-based program, CHK did not provide documentation showing the amounts charged or that these staff actually provided services to the SED cost-based program. For example, CHK claimed compensation for a residential campus supervisor. We determined that this individual provided services to the Office of Children and Family Services- and ORR-funded programs rather than to the SED cost-based program.

In addition, CHK provided an attachment showing the department selected by the employee for the period to support entry.

State Comptroller's Comment – The attachment provided by CHK does not show that the employees selected a department; rather, it indicates that the employees' cost was charged to a certain department. Moreover, despite our request, CHK officials did not provide documentation showing these employees performed services that benefited the SED cost-based program.

Unsupported Payroll Expenses

OSC audit finding indicated that CHK reported \$25,689 in compensation expenses in excess of amounts documented in employees' personnel records for the three fiscal years ended June 30, 2022. As indicated in the preliminary report, CHK is not in agreement with the finding.

CHK Comments:

CHK has reviewed the OSC support workpapers and reviewed the calculation used for the unsupported salaries. CHK believes these to be faulty calculations as the OSC calculations, utilizing working days, does not factor in any of the following, if applicable (not all inclusive):

- Overtime Pay
- Number of hours worked each day for hourly workers
- Severance and/or PTO payouts

The straight math used by the OSC excluding or not considering the above factors, if applicable, in the calculations results in the understatement of the full allowable amounts paid to staff.

State Comptroller's Comment – Our calculations are based on the documentation CHK provided. The RCM requires CHK to maintain records supporting reported payroll costs, including

hours worked, overtime, severance, and/or paid time off payouts. Despite numerous requests, CHK did not provide documentation supporting the amounts claimed for reimbursement. Moreover, we shared our calculations—summarizing the discrepancies between the amounts charged and CHK’s documentation—with CHK officials during audit fieldwork and also after issuing preliminary audit findings.

Other-Than-Personal-Service-Costs:

Overallocation of Space

OSC audit finding indicated that CHK reported \$107,236 in overallocation of space. As indicated in the preliminary report, CHK is not in agreement with the finding.

CHK Comments:

CHK is not in agreement with the method utilized by OSC with the inclusion of a grant program in the calculations. CHK has reviewed the OSC proposed revised allocations and have the following corrections that must be made to the OSC calculations.

By the OSC including the grant program square footage amounts in the calculation, the OSC is duplicating expenses to the grant program which are already claimed and accounted for. If the OSC correctly excludes the grant program space from their calculations it would increase the allocated percentage for the school program from the CFR used amount of 41.84% to 44.04% increasing the overall expenses to the program.

State Comptroller’s Comment – CHK is mistaken. We did not duplicate expenses already charged to the grant program. Our calculations did not include expenses exclusive to either CHK’s grant program or the SED cost-based program. Rather, our calculations reviewed expenses shared among CHK’s programs. Because CHK’s ORR Program benefited from these shared costs, the costs should have been allocated equitably or equally among all benefiting programs.

It is important to note that the OSC is actually calculating higher overall square footage percentage amounts to total square footage for both the SED Program (35.35%) and Admin (26.04%).

State Comptroller’s Comment – We stand by our finding. As noted on page 11 of the report, the calculated rate was based on our review of documentation CHK made available to the auditors. Further, CHK incorrectly charged certain costs to the SED cost-based program. These costs should have been allocated to the ORR and other SED non-cost-based programs.

Insufficiently Supported

OSC audit finding indicated that CHK reported \$201,518 in insufficiently supported OTPS costs.

CHK Comments:

During the audit and the preliminary response, CHK has provided the OSC with supporting documentation. For the documentation that was submitted, CHK is not in agreement with the OSC determination of the total disallowance.

State Comptroller's Comment – We reviewed all documentation provided by CHK and made adjustments to our report, as appropriate. The remaining recommended disallowed amounts lacked adequate support, were not allowable under RCM requirements, or were unrelated to the SED cost-based program.

Summary:

CHK is requesting that OSC further review and revise the proposed disallowances for the comments included in the OSC Draft Report.

State Comptroller's Comment – As previously stated, we reviewed all documentation provided by CHK officials and made adjustments to the report, as appropriate.

We want to thank the OSC for your continued understanding and assistance throughout the audit.

Sincerely,

Kimberly Houghton-Bryan

Kimberly Houghton-Bryan
Financial Controller

CC: Ms. Leila Santana, Executive Director



Contact

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