

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 13, 2016

Ms. MaryEllen Elia
Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Ms. Dianne Burke
Executive Director
Helping Hands School
4 Fairchild Square
Clifton Park, NY 12065

Re: Compliance With the
Reimbursable Cost Manual
Report 2015-S-90

Dear Ms. Elia and Ms. Burke:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law, we conducted an audit of the expenses submitted by Helping Hands School (Helping Hands) to the State Education Department (SED) for purposes of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments.

Background

Helping Hands, a not-for-profit organization located in Clifton Park, New York, is an SED-approved provider of preschool special education services. Helping Hands offers a range of services and programs to children with disabilities from three to five years of age. For the fiscal year ended June 30, 2014, Helping Hands offered the following SED-funded rate-based preschool special education programs: Preschool Special Class; Preschool Integrated Special Class; and Preschool Special Education Itinerant Teacher Services (collectively referred to as the Programs). During the 2013-14 school year, Helping Hands provided these special education services to about 241 children with learning disabilities from 20 school districts located in four counties in upstate New York.

The counties that use Helping Hands' preschool special education services pay tuition to Helping Hands using reimbursement rates set by SED. The State reimburses the counties 59.5 percent of the special education tuition that counties pay. SED sets the special education tuition rates based on financial information, including costs, reported by Helping Hands on its Consolidated Fiscal Reports (CFRs) filed with SED. Costs reported on the CFR must comply fully with the guidelines in SED's Reimbursable Cost Manual (RCM) regarding the eligibility of costs and documentation requirements and meet the reporting requirements prescribed by the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the fiscal year ended June 30, 2014, Helping Hands reported about \$2.5 million in reimbursable costs on its CFR for the Programs.

Results of Audit

According to the RCM, costs reported on the CFR should be reasonable, necessary, directly related to the special education program, and sufficiently documented. Based on our review of a sample of transactions, for the fiscal year ended June 30, 2014, we concluded that Helping Hands generally complied with the RCM and CFR Manual. We identified no deficiencies in Helping Hand's reporting of personal service costs. Regarding non-personal service costs, we identified \$26 in the Programs' charges that were ineligible for reimbursement.

The RCM states that costs associated with organized fundraising are not reimbursable. In addition, all claimed costs must be adequately supported by documentation. However, Helping Hands reported \$26 in costs that were associated with fundraising or were not adequately documented. Some of the expenses in question were for bank fees incurred for a fundraising account. Helping Hands officials indicated these amounts were mistakenly claimed on the CFR because they were recorded in the school's general "Bank Fees" account, instead of being maintained separately and charged to fundraising. Additionally, we identified two transactions for which Helping Hands could not provide the required supporting documentation.

Recommendations

To SED:

1. Review the disallowances identified by our audit and make the necessary adjustment to the costs reported on Helping Hands' CFR and to Helping Hands' tuition reimbursement rates, as appropriate.

To Helping Hands:

2. Ensure that all costs reported on annual CFRs fully comply with SED's requirements.

Audit Scope, Objective, and Methodology

We audited the expenses submitted by Helping Hands on its CFR for the fiscal year ended June 30, 2014. The objective of our audit was to determine whether the costs submitted by

Helping Hands on its CFR were properly calculated, adequately documented, and allowable under SED's guidelines, including the RCM.

To accomplish our objective and assess internal controls related to our objective, we reviewed Helping Hands' 2013-14 CFR, financial statements, and IRS Form 990 reports. We obtained an understanding of the CFR as well as the policies and procedures contained in the RCM and CFR Manual. We also interviewed Helping Hands officials to obtain an understanding of their financial practices relating to the expenses reported on Helping Hands' CFR. We reviewed a judgmental sample of Helping Hands' Program costs. The sample included, but was not limited to, bank fees and selected items only reimbursable under limited circumstances, such as food and supplies. To complete our audit work, we reviewed accounting records and supporting documentation for costs submitted by Helping Hands on its CFR and made a determination of whether the costs complied with and were allowable by the RCM and CFR Manual.

We conducted our performance audit in accordance with generally accepted government auditing standards. These 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. In addition, the Comptroller appoints members (some of whom have minority voting rights) to certain boards, commissions, and public authorities. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

Reporting Requirements

We provided a draft copy of this report to SED and Helping Hands officials for their review and formal comment. We considered their comments in preparing this report and have included them in their entirety at the end of it. In their response, SED and Helping Hands officials agreed with our audit recommendations and indicated the actions they will take to address them.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education 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.

Major contributors to this report were Dennis Buckley, Karen Bogucki, Devisha Gujjar, and Anthony Calabrese.

We would like to thank the management and staff of SED and Helping Hands for the courtesies and cooperation extended to our auditors during this review.

Sincerely,

Andrea Inman
Audit Director

cc: Suzanne Bolling, Director of Special Education Fiscal Services, SED
Thalia Melendez, Director – Office of Audit Services, SED

Agency Comments - State Education Department



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

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
O: 518.473-4706
F: 518.474-5392

April 27, 2016

Ms. Andrea Inman
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236

Dear Ms. Inman:

The following is the New York State Education Department's (Department) response to the draft audit report, 2015-S-90, Compliance with the Reimbursable Cost Manual: Helping Hands School (Helping Hands).

Recommendation 1: Review the disallowances identified by our audit and make the necessary adjustment to the costs reported on Helping Hands' CFR and to Helping Hands' tuition reimbursement rates, as appropriate.

We agree with this recommendation. The Department 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.

If you have any questions regarding this response, please contact Suzanne Bolling, Director of Special Education Fiscal Services at (518) 474-3227.

Sincerely,

A handwritten signature in dark ink, reading "Sharon Cates-Williams".

Deputy Commissioner
Sharon Cates-Williams

c: Pat Geary
Suzanne Bolling

Agency Comments - Helping Hands School



Academy
Nursery School



March 31, 2016

Andrea Inman, Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th floor
Albany, New York 12236

Re: Compliance with the
Reimbursable Cost Manual
Report 2015-S-90

Dear Ms. Inman:

We have reviewed the Draft Audit Letter for Helping Hands for the audit year 2013-14 and appreciate the opportunity to comment on the audit finding of \$26.

We agree with the results of the audit. We recognize that we were, in fact, missing receipts for two postage transactions totaling \$8. We will continue to strive for 100% compliance by maintaining all supporting documentation for purchases. We understand that fundraising dollars should not be reported on the CFR and have procedures in place to account for those funds separately. It was an oversight on our part that the \$18 in bank fees on our fundraising account were not broken out from our total allowable bank fees for the fiscal year ending June 30, 2014. We had already worked to strengthen our internal controls to assure that only allowable bank fees are reported on the CFR.

We are pleased that the audit found Helping Hands generally compliant with the RCM and CFR Manual, with the exception of \$26. We are proud that the costs and other required data submitted by Helping Hands School to the State Education Department on its 2013-2014 Consolidated Fiscal Report for purposes of rate-setting and State reimbursement were found to be properly calculated, adequately documented and allowable under the guidelines provided in the Reimbursable Cost Manual.

We thank the audit team for their guidance and collaboration throughout this process. Helping Hands will continue to strive to be fiscally responsible while providing high quality preschool special education services to children in the greater Capital Region of New York.

Sincerely,

Dianne Burke, LCSW
Executive Director