



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

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
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August 1, 2013

RECEIVED
EXECUTIVE CORRESPONDENCE

AUG 08 2013

OFFICE OF THE STATE COMPTROLLER
THOMAS P. DINAPOLI
COMPTROLLER

The Honorable Thomas P. DiNapoli
Comptroller
Office of the State Comptroller
110 State Street, 15th Floor
Albany, NY 12236

Dear Comptroller DiNapoli:

In accordance with the provisions of Section 170 of the Executive Law, the following are actions that the State Education Department (Department) has taken, or will be taking, to implement the recommendations contained in the Office of the State Comptroller's (OSC) Final Audit Report (2009-S-90) of Maintenance and Tuition Payments to The Lake Grove School and Mountain Lake Children's Residence.

Recommendation #1: Follow up on the inappropriate and unsupported expenses identified in our report and, as appropriate, revise the reimbursement rates for Lake Grove School and Mountain Lake and seek restitution for any overpayments.

The Department has followed up with OSC regarding inappropriate and unsupported expenses identified in the audit report for the Lake Grove School (Lake Grove) and Mountain Lake Children's Residence (Mountain Lake). It was acknowledged by OSC that the original disallowances identified in their report were overstated. The Department instituted the appropriate adjustments to reported costs reflective of OSC's findings in the 2009-10 and 2010-11 school years for Lake Grove and Mountain Lake. The impact of these adjustments resulted in materially lower rates for Lake Grove but not Mountain Lake. On June 10, 2013, Lake Grove informed the Department and the Office of Children and Family Services that they will cease operations as of September 1, 2013. Mountain Lake will continue to operate. Both entities have separated from the Parent Organization that charged the two entities expenses that OSC deemed inappropriate and unsupported. The Department is assisting Lake Grove and Mountain Lake through their respective transitions and recognizes that their fiscal stability is essential to ensuring students' a smooth transition. The Department will need to continue to monitor both schools' situations and evaluate the appropriateness of implementing audit rates based upon recent events and the ability of the schools to recover charges from the parent organization.

Recommendation #2: Complement desk reviews with periodic site visits to Lake Grove and Mountain Lake to determine the extent to which there are other inappropriate and undocumented management fees and operating costs.

The Department is considering complementing programmatic reviews with focused fiscal reviews in addition to desk reviews.

Recommendation #3: Require Mountain Lake and Lake Grove to maintain adequate supporting documentation for all future requests for reimbursement.

This is a requirement and expectation of all providers receiving public funding and is discussed in the Reimbursable Cost Manual and CFR Manual's agreed upon audit procedures. The Rate Setting unit will review expenses and revenues and request necessary documentation upon desk review in order to support reimbursement.

Recommendation #4: Revise OCFS program reimbursement guidelines to ensure they carefully define those items that are and are not reimbursable.

Not applicable for SED.

Recommendation #5: Work cooperatively to improve validation procedures and to maximize the use of limited staff resources.

We have not, as yet, begun to address this recommendation with OCFS.

If you have any questions regarding this response, please contact Ann Marsh, Director of the Rate Setting Unit at (518) 473-2020.

Sincerely,

A handwritten signature in cursive script, reading "Sharon Cates-Williams".

Sharon Cates-Williams