



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Compliance With the Reimbursable Cost Manual

**State Education Department
LaSalle School**



Report 2012-S-68

May 2014

Executive Summary

Purpose

To determine whether the costs reported by the LaSalle School (LaSalle) on its Consolidated Fiscal Reports (CFRs) were properly calculated, adequately documented, and allowable under the State Education Department's (SED) Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Report Manual (CFR Manual). The audit included the three fiscal years ended June 30, 2011.

Background

LaSalle's campus school provides special and regular educational services for students in grades 6 through 12. Pursuant to the State Education Law, providers such as LaSalle are reimbursed by local school districts based on tuition rates established by SED. SED determines the tuition rates based on expense and other data reported on providers' annual CFRs. To be eligible for reimbursement, the provider's reported expenses must comply with the guidelines specified in the RCM and the CFR Manual. For the three fiscal years ended June 30, 2011, LaSalle claimed about \$11.5 million in reimbursable expenses for the special education program we audited.

Key Findings

- LaSalle claimed \$433,968 in personal service and other than personal service costs (OTPS) that were unnecessary, unallowable or not correctly reported on the CFR.
- The disallowances for personal services included \$375,240 in compensation for uncertified teachers and \$38,745 in other ineligible employee compensation.
- The disallowances for OTPS included \$11,450 in unsupported vehicle costs, \$3,135 in inadequately documented staff travel, \$3,005 in inadequately documented credit card purchases and ineligible credit card fees, \$1,750 in ineligible administrative costs and \$643 in ineligible costs for staff conferences.
- LaSalle's Board of Trustees failed to report less-than-arm's-length business arrangements on its CFR and did not comply with RCM requirements pertaining to the documentation of cost allocation methodologies and preparation and maintenance of employee time and attendance sheets.

Key Recommendations

- SED should review the disallowances resulting from our audit and make the appropriate adjustments to costs LaSalle reported on its CFRs and to tuition reimbursement rates, as appropriate.
- LaSalle officials should ensure that the reporting of reimbursable expenses complies with SED requirements and that professional employees have the certifications required for the positions they hold.

Other Related Audits/Reports of Interest

[Mill Neck Manor School for the Deaf: Compliance With the Reimbursable Cost Manual \(2011-S-40\)](#)

[Kids & the Training Institute, Inc.: Compliance With the Reimbursable Cost Manual \(2010-S-69\)](#)

State of New York
Office of the State Comptroller

Division of State Government Accountability

May 19, 2014

Dr. John B. King, Jr.
Commissioner
State Education Department
State Education Building - Room 125
89 Washington Avenue
Albany, NY 12234

Mr. William Wolff
Executive Director
LaSalle School
391 Western Avenue
Albany, NY 12203

Dear Dr. King and Mr. Wolff:

The Office of the State Comptroller is committed to providing accountability for tax dollars spent to support government funded services and 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 of our audit of the State Education Department and LaSalle School entitled *Compliance With the Reimbursable Cost Manual*. This 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.

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 draft report, please feel free to contact us.

Respectfully submitted,

Office of the State Comptroller
Division of State Government Accountability

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This report is also available on our website at: www.osc.state.ny.us

Background

The LaSalle School (LaSalle) is a not-for-profit school located in Albany, New York, that provides a range of community and campus-based programs, including residential and day services, to male adolescents and their families. LaSalle offers both special education and regular education curricula for students in grades 6 through 12. At the time of our audit, LaSalle had a total enrollment of about 115 students, including 84 residential and 31 day services students between the ages of 11 and 21. LaSalle is managed by a Board of Trustees (Board), which ranged from 31 to 34 members during our audit period. LaSalle is reimbursed through rates set by the State Education Department (SED) for the educational program it provides to residential treatment and day service students.

LaSalle's tuition reimbursement rate is based on the expenses it reports to SED on its annual consolidated fiscal reports (CFRs). SED issues a Reimbursable Cost Manual (RCM) and a Consolidated Fiscal Report Manual (CFR Manual) to provide guidance to providers on cost eligibility, cost documentation requirements, and the allocation of non-direct care costs between programs offered by the school. Costs reported on the CFR must fully comply with the RCM and CFR Manual guidelines to qualify for SED reimbursement. For the three fiscal years ended June 30, 2011, LaSalle claimed approximately \$11.5 million in reimbursable costs for the special education program we audited.

Audit Findings and Recommendations

For the three fiscal years ended June 30, 2011, LaSalle claimed \$433,968 in ineligible costs on its CFRs. This included \$413,985 in personal service costs and \$19,983 in other than personal service (OTPS) costs that were unnecessary, unallowable or incorrectly reported on the CFR. LaSalle claimed an additional \$209,276 in questionable costs resulting from less-than-arm's-length (LTAL) transactions that were not disclosed on its CFR. In addition, we identified internal control and procedural weaknesses resulting from non-compliance with certain accounting and record-keeping requirements prescribed by the RCM.

Personal Service Costs

The RCM provides guidance on the eligibility for reimbursement of personal service costs and the documentation that is required to properly support such costs when they are reported on the CFR. Personal service costs, which include all taxable salaries and fringe benefits paid or accrued to staff on the agency 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). In addition, to ensure providers uphold standards in education, the CFR Manual requires that direct care staff possess the necessary educational certifications and qualifications for their positions. Further, the State Education Commissioner's Regulations require that special education instruction be provided by individuals who are appropriately certified or licensed.

The RCM also addresses the conditions under which bonuses are appropriate. According to the RCM, bonus compensation shall mean a non-recurring and non-accumulative (i.e., not included in base salary of subsequent years) lump sum payment(s) in excess of regularly scheduled salary that is not directly related to hours worked. In addition, bonus compensation may only be reimbursed if based on merit as measured and supported by employee performance evaluations. Also, according to the RCM, providers must develop employer-employee agreements with written salary scales that are issued to employees.

We disallowed personal service costs totaling \$413,985 that were not in compliance with the RCM. These disallowances included \$375,240 paid to employees who lacked the required certification and \$38,745 in inappropriate employee compensation, including bonuses, gifts and employee raises.

Employees Lacking Required Teaching Certifications

For the three years ended June 30, 2011, we reviewed LaSalle's compliance with the prescribed certification requirements for 57 employees LaSalle indicated were supervising teachers. Personnel records showed these employees held direct care positions such as teacher's assistant, teacher, and supervising teacher. Based on our review of certifications, we disallowed \$375,240 in personal service costs related to the salaries of 10 teachers who did not have the required certifications for their job titles. Consequently, we disallowed the difference between the compensation LaSalle paid these employees (and claimed on the CFR) and the compensation

they were entitled to given their qualifications, as summarized in the following table.

Fiscal Year	Compensation Claimed on CFR	Adjusted Compensation Based on Qualifications	Amount of Disallowance
2008-2009	\$308,254	\$203,941	\$104,313
2009-2010	\$266,106	\$130,096	\$136,010
2010-2011	\$305,897	\$170,980	\$134,917
Totals	\$880,257	\$505,017	\$375,240

Other Ineligible Employee Compensation

LaSalle claimed \$38,745 in other compensation that did not comply with RCM requirements. These ineligible costs included bonuses that were neither merit based nor supported by employee performance evaluations, as otherwise required by the RCM. In addition, the ineligible costs included Christmas gifts and raises that exceeded prescribed employee salary scales.

Other Than Personal Service Costs

The RCM prescribes what OTPS costs are eligible for reimbursement and the documentation required to properly support costs reported on the CFR. Reported costs should be reasonable, necessary, program related and properly documented (including detailed invoices). Personal costs and costs incurred for items and activities that are not related to the educational programs are not eligible for reimbursement.

LaSalle reported \$19,983 in OTPS costs that did not comply with the RCM. Specifically, LaSalle claimed costs for ineligible vehicle costs; inadequately documented staff travel and credit card purchases; and ineligible credit card fees, administrative expenses and staff conferences costs.

Ineligible Vehicle Costs

Vehicle usage must be documented by individual vehicle logs that include the date and time of travel, places of departure and destination, mileage, purpose of travel, and the name of the traveler. During fiscal years 2008 through 2011, LaSalle owned or leased 15 vehicles. The expenses associated with these vehicles included lease payments, depreciation expenses, insurance premiums, repairs and vehicle registration. We disallowed \$11,450 in reported vehicle costs because LaSalle did not maintain the required vehicle logs or any other documentation to support the business use of these vehicles.

Inadequately Documented Staff Travel

According to the RCM, travel costs including transportation, lodging and meals incurred by employees in travel status on official school business are reimbursable. Additionally, Section 109 of the State Finance Law requires a specific statement of the official business for which expenses

were incurred. We disallowed \$3,135 in employee travel expenses because LaSalle did not show that travel expenses were related to official school business.

Inadequately Documented and Ineligible Credit Card Purchases and Fees

As noted previously, the RCM requires that all purchases claimed for reimbursement must be supported by detailed invoices, listing the items purchased, the date of purchase and payment, as well as copies of cancelled checks. In addition, purchases must be reasonable, necessary and program related. LaSalle reported \$3,005 in ineligible expenses, including \$1,904 in credit card purchases that lacked proper documentation, \$995 for three employment advertisements for positions unrelated to the education program and \$106 in fees related to credit card use such as finance charges and late payment penalties.

Other Ineligible OTPS Costs

According to the RCM, certain costs are not eligible for reimbursement, including the cost of food or entertainment for staff and the cost of fines levied for failure to comply with Federal, State, and/or local laws and regulations. Additionally, reimbursement for bonus compensation is reimbursable only if the bonus is based on merit as measured and supported by employee performance evaluations.

LaSalle reported \$1,750 in various other costs that did not meet the criteria for reimbursement, including the following:

- \$1,156 for longevity bonuses and a Christmas bonus. (Note: These costs are in addition to the aforementioned personal service disallowances for ineligible bonuses. LaSalle reported these bonuses as OTPS administrative costs on its CFR.)
- \$386 for food, entertainment and gifts for staff that included flowers, cakes, engraved clocks and framed artwork.
- \$208 that included a penalty paid to the U.S. Treasury for Federal tax returns filed incorrectly and a late fee for a bank loan.

Ineligible Staff Conference Costs

The RCM allows for the reimbursement of the costs of conferences that are directly related to the education program or the administration of the program. However, costs for food, beverages, entertainment and other related costs for meetings are not reimbursable. Also, according to the RCM, programs are required upon audit to provide brochures, agendas or other literature that verify attendance and document the purpose of the conference. In addition, reimbursement for off-site conference costs is limited to no more than three conferences within a 12-month period for any individual.

LaSalle reported \$643 in conference-related costs that did not comply with the RCM. Specifically, the costs related to conferences in excess of three per year, were food related, and/or were not

adequately documented by available conference literature.

Internal Control and Procedural Weaknesses

An entity's control environment refers to the attitude toward internal controls and control consciousness established and maintained by the management of an organization and its employees. It is a product of management's philosophy, style, and supportive attitude, as well as the competence, ethical values, integrity, and morale of the people in the organization. Organization structure and accountability relationships are key factors in the control environment. LaSalle's Board is responsible for the overall direction of LaSalle and, as such, has a fiduciary responsibility to exercise due care and diligence in safeguarding the school's assets. In addition, Board members must avoid conflicts of interest and acts of self-dealing.

We identified several procedural and control deficiencies which LaSalle officials need to address to help ensure compliance with the RCM and other SED-prescribed guidance. The deficiencies pertained to: board approval of contracts; conflict of interest policy and disclosure; LTAL business arrangements; documentation of cost allocation methodologies; and the use of employee time and attendance sheets.

Lack of Board Approval of Contracts

Appendix B of the RCM describes best practices for Board members in fulfilling their roles as fiscal overseers of the institutions they govern. These best practices help ensure that financial resources are used efficiently and effectively to meet the institution's goals, in compliance with applicable law and regulation, and that its assets are properly safeguarded. According to one best practice, the Board should approve the contracts the institution enters into. However, LaSalle's Board of Trustees by-laws do not include such a provision. Consequently, the Board generally does not formally review and approve LaSalle's contracts, including those relating to major acquisitions and expenditures. We reviewed the Board minutes for the audit period and found no indication the Board approved any payments or contracts. This limits the Board's ability to effectively oversee LaSalle's fiscal administration. LaSalle should add a provision to its by-laws requiring that Trustees approve its major contracts.

Conflict of Interest Policy and Disclosure

The RCM requires Board members to act in good faith with the best interest of the institution in mind. Therefore, Board members' conduct and decision making must, at all times, further the institution's goals - and not the members' personal or business interests. Consequently, Board members should not have any personal or business interest that may conflict with their responsibility to the organization. Further, the RCM requires a school's Board of Trustees to have a written conflict of interest policy that clearly sets forth the procedures to be followed in instances where a Board member's personal or business interest may be advanced by an action of the Board, including a provision that the Board member may not participate in any decision to approve any transaction where such a conflicting interest may be advanced. We determined that

LaSalle had a written conflict of interest policy, as prescribed by the RCM.

The RCM also requires each Board member to provide full, ongoing disclosure to the institution of any interest the Board member and/or his or her family has in any entity with which the Board transacts business. We reviewed the conflict of interest disclosure statements maintained by LaSalle for the three fiscal years ended March 31, 2011. In fiscal years 2008 and 2010, there were no conflict of interest disclosure statements filed by any Board members. In fiscal year 2009, 10 of the 32 Board members did not file conflict of interest disclosure statements, and in 2011, 12 of the 34 Board members did not file conflict of interest disclosure statements. According to LaSalle officials, due to an oversight, the Trustees did not ensure conflict of interest disclosure statements were prepared and filed consistently. In addition, two of the Board members, who did not file conflict of interest disclosure statements, were involved in LTAL business arrangements as detailed subsequently in this report.

Disclosure of LTAL Business Arrangements

In general, a LTAL relationship exists when there are related parties, and one party can exercise control or significant influence over the management or operating policies of another party, to the extent one of the parties is (or may be) prevented from pursuing its own separate interests. The CFR Manual requires institutions to report (on the CFR-5) all transactions, including compensation, where an individual has significant authority and control in the organization with which the reporting entity may deal. Further, LTAL relationships must also be disclosed in the notes to a school's annual financial statements.

We found that LaSalle engaged in two such LTAL relationships. Specifically, a LaSalle Board member was also an insurance broker for a company from which LaSalle obtained liability, property and automobile insurance. For the three fiscal years ended June 30, 2011, LaSalle paid \$544,031 in insurance premiums to this company. Of this amount, LaSalle reported \$208,926 on its CFR for its education program. LaSalle provided us with evidence that it considered other insurance companies, thus satisfying the RCM's competitive procurement requirement. Therefore, we did not disallow these costs. However, LaSalle did not disclose this LTAL relationship on its CFR-5 or in the notes to its audited financial statements, as otherwise required.

LaSalle also paid \$5,440 (of which \$350 was reported on the CFR) for car leasing and repair to a company whose vice president was a LaSalle Board member during the two fiscal years ended March 31, 2010. We do not propose disallowance of these costs. Again, however, LaSalle did not disclose this LTAL relationship on its CFR-5 or in the notes to its audited financial statements. SED officials should formally assess the propriety of these costs for our audit period and subsequent period, as warranted.

Non-Compliance With Accounting and Record-Keeping Requirements

The RCM describes specific accounting and record-keeping requirements to which all CFR filers must adhere. According to the RCM, expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities that benefit from these

expenditures. The RCM requires special education schools to maintain documentation evidencing the methodologies used to allocate costs to the various programs they operate. Allocation percentages should be reviewed on an annual basis and adjusted as necessary. We reviewed documentation of the methodologies LaSalle used to allocate costs for the three fiscal years ended June 30, 2011. We also tested certain allocation calculations and determined that LaSalle properly allocated costs.

However, LaSalle's cost allocation methodology was not adequately documented. Although LaSalle officials provided us with a listing of 18 steps (including pertinent accounting cost centers and allocation percentages) required to prepare the CFR, the listing did not describe how to perform each of the steps. The need for a sufficiently detailed cost allocation methodology is particularly relevant given LaSalle's current personnel status and the potential need for succession planning. At the time of our audit fieldwork, the Associate Executive Director had prepared LaSalle's CFRs since 1996 and was the only person familiar with this complex process.

The RCM also requires that payroll costs be supported by employee time and attendance records prepared during the time period for which the employee was paid. The time sheets must be signed by the employee and a supervisor and be completed at least monthly. LaSalle had no time sheet for its teaching staff for the period July 1, 2008 through June 30, 2011. LaSalle officials told us they were not aware employee time sheets were necessary for teaching staff at that time. We did not disallow personal service costs relating to missing time records because we were able to confirm employees' attendance on a test basis using other records. In addition, LaSalle officials informed us they started maintaining appropriate time and attendance records subsequent to our audit period.

Recommendations

To SED:

1. Review the disallowances resulting from our audit and make the appropriate adjustments to the costs reported on the CFRs submitted by LaSalle. Adjust LaSalle's reimbursement rates, as appropriate. In addition, formally assess the eligibility of the reported costs associated with the LTAL transactions identified, and adjust the CFR, as warranted.
2. Provide LaSalle administrators and staff with training and/or additional guidance on the application of the RCM, as appropriate.

To LaSalle:

3. Ensure all staff providing special education instruction or administration are properly qualified and certified.
4. Comply with the RCM's requirements for eligibility and documentation of all reported program costs and ensure all costs reported on the CFR are accurate.

5. Remediate the procedural weaknesses related to Board approval of contracts, conflict of interest policy and disclosure, and LTAL business arrangements.
6. Comply with the RCM's requirements for cost allocation documentation and time and attendance records.

Audit Scope and Methodology

We audited the expenses reported by the School on its CFR for the three fiscal years ended June 30, 2011. The objectives of our audit were to determine whether the costs reported by LaSalle were properly calculated, adequately documented and allowable under SED's RCM.

To accomplish our objectives, we reviewed LaSalle's financial records and interviewed LaSalle officials and staff to obtain an understanding of their financial and business practices. We also interviewed SED officials to obtain an understanding of the CFR as well as the policies and procedures contained in the RCM. To complete our audit work, we selected a judgmental sample of costs reported by LaSalle during our audit scope and reviewed supporting documentation to determine whether the costs complied with and were allowable by the CFR Manual and the RCM.

We conducted our compliance 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 management functions do not affect our ability to conduct independent audits of program performance.

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.

Reporting Requirements

We provided SED and LaSalle officials with a draft copy of this report for their review and formal comment. We considered the comments of SED and LaSalle officials in preparing this report and have included them at the end of it. SED officials agreed with our recommendations and intend to implement them as appropriate. LaSalle officials generally did not dispute our observations. However, officials indicated that LaSalle and other special education schools have had difficulties complying with certain SED-prescribed requirements, including those related to teacher certifications. LaSalle officials also indicated that they have and will take actions to address our report's findings and recommendations. Our rejoinders to certain comments in LaSalle's formal response are included in the report's State Comptroller's Comments.

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 if the recommendations were not implemented, the reasons why. We also request LaSalle officials to advise the State Comptroller of actions taken to implement the recommendations addressed to them, and where such recommendations were not implemented, the reasons why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Exhibit

LaSalle School
Schedule of Submitted, Disallowed, and Allowed Program Costs
Fiscal Years 2008-09, 2009-10 and 2010-11

Program Costs	Amount Per CFR	Amount Disallowed	Amount Allowed	Notes to Exhibit
Personal Services	\$9,024,797	\$413,985	\$8,610,812	A,B,C,D
Other Than Personal Services	\$993,696	\$19,983	\$973,713	E,F,G,H,I,J, K,L,M
Total Program Costs	\$10,018,493	\$433,968	\$9,584,525	

Notes to Exhibit

The Notes shown below refer to specific sections of the Reimbursable Cost Manual upon which we have based our adjustment. We have summarized the applicable section to explain the basis for the disallowance. Details of the transactions in question were provided to SED and LaSalle officials during the course of our audit.

- A. Part 200, Regulations of the Commissioner of Education, Section 200.7 (b)(6)(2012) - All professional instructional and supervisory personnel at schools governed by this section shall be appropriately certified in accordance with the provisions of Part 80 of this Title and section 200.6 of this Part. All non-instructional personnel at residential schools governed by this section shall be appropriately qualified in accordance with the provisions of section 200.15 of this Part. Part 80 contains certification requirements for classroom teaching, administrative/supervisory and pupil personnel (school) service titles. State certification is also required for teachers employed in state-operated and state-supported schools, Special Act school districts, and approved private schools for the education of students with disabilities.
- B. EDN Title 4 Article 61 Section 3001 - No person shall be employed or authorized to teach in the public schools of the state who is: Not in possession of a teacher's certificate issued under the authority of this chapter or a diploma issued on the completion of a course in state college for teachers or state teachers college of this state.
- C. EDN Title 4 Article 61 Section 3009 - Unqualified teachers shall not be paid from school moneys. No part of the school moneys apportioned to a district shall be applied to the payment of the salary of an unqualified teacher, nor shall his salary, or any part thereof, be collected by a district tax except as provided in this chapter.
- D. RCM Section I.14.A.10 (2008), Section II.14.A.10 (2009) - Bonus compensation may be reimbursed if based on merit as measured and supported by employee performance evaluations.
- E. RCM Introduction (2008), Introduction (2009) - Costs will be considered for reimbursement provided such costs are reasonable, necessary, and directly related to the education program and are sufficiently documented.
- F. RCM Section II.A.10 (2008), Section III.1.J.2 (2009) - 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. If the vehicle was assigned to an employee, also list the name of the employee to whom it was assigned.
- G. RCM Section II.A.5 (2008), Section III.1.E (2009) - Logs must be kept by each employee indicating dates of travel, destination, purpose, mileage, and related costs such as tolls, parking and gasoline and approved by supervisor to be reimbursable.
- H. RCM Section I.57.B (2008), Section II.57.B (2009) - Out-of-state travel costs, except for conferences as explained in Section I.30 (2008) and Section II.30 (2009) – (meetings and conferences), are not reimbursable.
- I. RCM Section II.A.4 (2008), Section III.1.D (2009) - All purchases must be supported with invoices listing items purchased and indicating date of purchase and date of payment, as

well as canceled checks. Costs must be charged directly to specific programs whenever possible. The particular program(s) must be identified on invoices or associated documents.

- J. RCM Section I.30 (2008), Section II.30 (2009) – Conferences must be directly related to the education program or to the administration of the program. Programs shall be required upon audit to provide brochures, agenda or other literature that verify attendance and document the purpose of the conference or meeting.
- K. RCM Section I.30 (2008), Section II.30 (2009) – Reimbursement of off-site conferences costs are limited to no more than three conferences within a 12 month period for any single individual.
- L. RCM Section I.30.3 (2008), Section II.30.C (2009) – Costs of food, beverages, entertainment and other related costs for meetings, including Board meetings, are not reimbursable.
- M. RCM Section II.A.1 (2008), Section III.1.A (2009) – Compensation costs must be based on approved, documented payroll. 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 by the employee and a supervisor, and must be completed at least monthly.

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
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March 3, 2014

Mr. Brian Mason
Audit Director
Office of the State Comptroller
Division of State Government Accountability
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Albany, NY 12236

Dear Mr. Mason:

The following is the New York State Education Department's (SED) response to the draft audit report (2012-S-68) of the State Education Department LaSalle School: Compliance with the Reimbursable Cost Manual.

Recommendation 1:

Review the disallowances resulting from our audit and make the appropriate adjustments to the costs reported on the CFR's submitted by LaSalle. Adjust LaSalle's reimbursement rates, as appropriate. In addition, formally assess the eligibility of the reported costs associated with the LTAL transactions identified, and adjust the CFR, as warranted.

We agree with this recommendation. SED will review and make adjustments to the CFRs and recover any overpayments, as appropriate. SED has required LaSalle to correct noncompliance with employee certification requirements and will monitor LaSalle's corrective action in this regard. SED will also review the LTAL transactions identified and adjust reimbursable costs if warranted. We will also review and consider additional information LaSalle may submit in response to this report.

Recommendation 2:

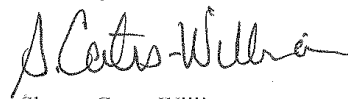
Provide LaSalle administrators and staff with training and/or additional guidance on the application of the RCM, as appropriate.

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend LaSalle officials take advantage of our availability in order to help them better understand the standards for reimbursement as presented in regulation and in the Reimbursable Cost Manual (RCM). In addition, beginning with the submission of CFR's

for the 2012-13 school year, the Department has recommended that individuals signing the CFR certification statements, namely Executive Directors and Certified Public Accountants, either attend a formalized Interagency CFR training at one of the six locations it is offered across the state or complete RSU's on-line CFR training course. It is our intention, based on the recommendation of the Board of Regents to make this training mandatory for future CFR submissions. Also on the recommendation of the Board of Regents, we are working to develop training and guidance materials pertaining to the governing and ethical responsibilities of board members and owners of special education providers and look forward to consulting with your office on this initiative.

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

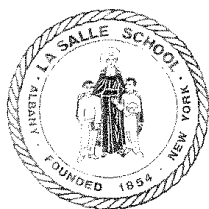
Sincerely,



Sharon Cates-Williams

c: Commissioner King
Ann Marsh
Suzanne Bolling
Maria Guzman

Agency Comments - LaSalle School



La Salle School

391 Western Avenue, Albany, New York 12203-1491 . Telephone: 518.242.4731 . Fax: 518.242.4747 . www.lasalle-school.org

February 24, 2014

Office of the State Comptroller
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Brian Mason, Acting Assistant Comptroller
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Albany, NY 12236

Re: LaSalle School: 2012-S-68

Dear Mr. Mason,

Enclosed is the response to the report of the OSC with respect to the audit of the Special Education Program at LaSalle School.

It consists of two parts. The first part is a letter from James Blendell, the Chairman of the Board of Trustees of LaSalle School and the second is a detailed response to each section of the audit report prepared by agency staff.

If there is a need for additional information or discussion related to our response, do not hesitate to contact me at 518-242-4731 ext 218.

Thank you,

Bill Wolff
Executive Director

MISSION STATEMENT

Through a dedicated and capable community of staff and associates, inspired by the faith and vision of St. John Baptist de La Salle, La Salle School provides therapeutic, educational and supportive services designed to accomplish positive, personal growth and lasting change in the lives of youth and families in need.

COFEGA



February 24, 2014

Office of the State Comptroller
Division of State Government Accountability
Brian Mason, Audit Director
110 State Street, 11th Floor
Albany, NY 12236

Re: LaSalle School: 2012-S-68

Dear Mr. Mason,

On behalf of the Board of Trustees of LaSalle School, I welcome the opportunity to submit a brief comment as part of the agency response to the audit by the Office of the State Comptroller of LaSalle's special education program for operating years 2008-09, 2009-10 and 2010-11.

Along with two colleagues from the board, I participated in each of the three meetings where interim findings were reported, as well as both the entry and exit conferences. In my observation of those meetings, the OSC staff conducting the audit was well prepared, responsive to questions and open to suggestions and dialogue.

After a careful review of the report, my belief is that the findings of the OSC audit are consistent with LaSalle's reputation as a highly regarded non-profit agency and there is no reason for concern for the effective and efficient use of the increasingly scarce government funds the agency receives in return for the operation of its highly valued programs. Further, we are pleased that the report has already proven useful as we have revised policies and adjusted procedures.

Opportunities for improved record keeping and increased accuracy in fiscal reporting are present, as illustrated in the findings of disallowances in Other Than Personal Services (OTPS) expenses which total \$19,983 over the three operating years. In terms of Personal Services expense, the report identifies disallowances of \$414,307, the majority of which, \$375,562, is related to the employment of teachers who were not certified, but were known to the school to be otherwise well qualified with bachelors and even masters degrees and were working toward certification.

It is the findings of the report related to LaSalle's employment of uncertified teachers, that could be open to misunderstanding and unjustified criticism, which causes concern and prompted me to write.

The management team at LaSalle has periodically shared with the board their concern for the ability to recruit and retain certified teachers. The board has also been informed of the collaborative work with the monitoring unit of the State Education Department in responding to any need for corrective action and plans for certification achievement on the part of a few individuals as part of site reviews and program reviews. Consistently, these reviews and our responses have resulted in the determination that our program has been in compliance, including the period covered by the audit.

Is there any advantage to LaSalle to employ uncertified teachers? The answer is no, there is no benefit to LaSalle to choose to employ individuals who are uncertified. The school has hired individuals without certification when there were no certified applicants for a vacancy who would, when offered the position, accept the offer. In some of those cases, LaSalle has chosen to retain that individual, provided they met all performance expectations and demonstrated progress toward certification.

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* See State Comptroller's Comments, page 29.


I believe the state should be realistic in its position with LaSalle and other 853 schools for that matter, with respect to meeting compliance with standards of certification for teachers, because ultimately the state is choosing to fund the 853 programs at levels which make comparable compensation for teachers beyond our organization's reach. We do not need to be excused from the standards, but we need some flexibility in meeting them, and certainly no penalty for working in good faith insuring our achievement of them.

We recognize the limitation of the OSC with respect to its task to assess our agency's compliance with the Reimbursable Cost Manual. At the same time though, we cannot help but observe that over the years, considerable attention has been given to this issue of uncertified teachers. One example is the tuition reimbursement grant program approved by the Division of the Budget and administered by SED. This program assists with the tuition expense leading to certification for individuals teaching in 853 schools. What could better illustrate awareness that the 853 schools share this problem?

Finally, with respect to recruitment and retention of teachers, the findings of the OSC did not reveal an issue that we, as a board, were unaware of. We've known for some time that the compensation our school is able to offer teachers lags our public school counterparts by as much as one-third, not including benefits. Our board has worked with the LaSalle administration in pursuit of remedies for this situation, and we are aware of the progress in this area as a result of the efforts of SED, the Legislature and the Division of the Budget in collaboration with schools all across the state. One of my hopes is that the findings of the comptroller will cast more light on this issue so that a lasting remedy can be designed and implemented.

The audit of the LaSalle special education program constituted a significant undertaking of time and resources not only of the OSC but also LaSalle School, and we are already capitalizing on the results. It is my hope that the effort will contribute to improved services not just at LaSalle, but in all 853 schools.

Thank you for your consideration.


James Blendell, Chairperson
LaSalle School Board of Trustees

Cc: LaSalle School Board of Trustees
Bill Wolff, Executive Director, LaSalle School

LaSalle Response: OSC Report 2012-S-68

RESPONSE TO AUDIT FINDINGS AND RECOMMENDATIONS**Office of State Comptroller Audit of LaSalle School: Report 2012-S-68****PERSONAL SERVICES COSTS:****Employees Lacking Required Teaching Certifications: \$375,562**

While we do not dispute the findings of the OSC with respect to teachers who lacked certification for their positions during the period of the audit, we do wish to make clear, before going into more detailed response, several key points:

1. LaSalle School places a high value on the certification of its employees in all areas of the agency's operation, and has no desire nor makes any effort to hire individuals for positions for which they are uncertified.
 - a. We want certified teachers!
 - b. We support individuals seeking certification.
 - c. We seek people whose certification may have lapsed, or who were close to completing it but stopped, or who are otherwise well qualified, such as through life and employment experiences.
 - d. We work with SED to monitor the individuals in need of certification and to see that our program and classrooms are properly staffed and that high standards of instruction are maintained.
2. Through the years, and especially during periods when public schools are regularly filling positions, we can find it very difficult to fill positions due to serious deficiencies in comparative pay and benefits.
 - a. This has been further exacerbated by NY's decision to hold growth in funding of 853 schools at zero for five years, meaning that hiring scales have been frozen and there have been no funds for increased salaries through our regular tuition rates.
3. In the past, when it has been necessary to hire an uncertified individual for a teaching position, we assess the requirements for that individual to achieve certification while working for us.
 - a. A plan for achieving certification, including coursework and other requirements, is developed with the individual and approved by school administrators.
 - b. We assess that individual's progress with the plan, and if progress is viewed as insufficient, the individual is terminated from teaching.
4. LaSalle offers up to six credits per year of tuition assistance, and assists teachers in gaining further tuition support through the Teacher Certification Grant program administered by SED and approved by DOB, which can pay for tuition costs for uncertified teachers employed by 853 schools.
5. We agree with the OSC's finding that if uncertified, a teacher should not be compensated the same as a certified teacher.

LaSalle Response: OSC Report 2012-S-68

- a. We do not agree that placement of an uncertified individual who is teaching, on our Teaching Assistant scale, which is approximately 30% lower than a teaching scale, is appropriate.
 - i. We do understand that the OSC chose this because these individuals would qualify for Certification as a Teaching Assistant
- b. An uncertified teacher earns about 10% less than they would if they were certified.
 - i. A provisionally certified teacher with no experience is hired at LaSalle for \$27,500 (180 day school year)
 - ii. An uncertified individual would be hired at \$24,500.
- 6. As part of field visits and program reviews, the status of uncertified teachers is reviewed with the Regional Associate from SED.
 - a. Each plan for an individual to gain certification is reviewed and forms the basis of any corrective action plans and the granting of program compliance.
 - b. LaSalle School's program was deemed to be in compliance by SED throughout the duration of the audit period, as a result of satisfactory responses to any corrective action noted as necessary as a result of field reviews.
- 7. At the Interim Findings meeting in August, the auditors presented us with their working spreadsheet that identified ten teachers for whom an adjustment in salary was being made due to lack of certification. We have no information identifying an eleventh individual. Of the ten teachers identified by the comptroller in the material we have:
 - a. We understood that one was removed from the list by the auditors as that individual did in fact, have appropriate certification during the period of the audit.
 - i. That individual is still employed by LaSalle as a teacher
 - b. Four others from the list also remain employed by LaSalle School
 - i. Two remain in their teaching positions and are now certified
 - ii. One remains in his teaching position and will be certified in 2014
 - 1. His plan was recently reviewed by SED Regional Associates
 - iii. One was reassigned in September 2011 to a Teacher Assistant position
 - c. Four are no longer employed by LaSalle School
 - i. Lack of progress toward certification was a factor in these terminations
- 8. Since the 2011-12 school year, no uncertified individuals have been hired to fill teaching vacancies.
 - a. We believe this to be principally, a function of a very difficult job market for teachers
 - b. We continue to find that individuals with certification, who are our first choices for position, turn down our offers due identifying compensation as the issue.

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During the three year period to which the audit applies, and during prior years and since, we have worked closely with the Regional Associates and SED Program Staff. There were numerous on-site reviews and consultations during this time. We worked openly and constructively with the team at SED on a number of issues, including the monitoring of uncertified teachers. Our understanding was, and continues to be, that a corrective action plan in the case of an uncertified teacher could include a plan

LaSalle Response: OSC Report 2012-S-68

for that teacher to attain certification, subject to satisfactory progress typically demonstrated with the completion of at least six credits of graduate coursework identified as appropriate for the certification.

When we hire an individual for a teaching position who is uncertified, that person is hired at a salary less than what that person would be paid were they certified. The OSC reviewed hiring scales for Teachers, Teacher Assistants and Aides, and could see that the Teaching Scale was structured with a differential. It is apparent that the OSC demonstrated a degree of flexibility in its finding- that if uncertified, an allowable level of expense for a teachers compensation should be that which they would have received if they were employed in a position for which would be viewed as certified, which is a Teaching Assistant.

We agree with the Comptroller, conceptually, that an uncertified individual in a position should be paid less than a certified individual in the same position. And that has been our practice. However, the use of our Teacher Assistant Scale, as it is constructed, is not a reasonable choice for compensation of a teacher, since the job description and responsibilities of a Teaching Assistant do not equate to those of a teacher.

In conclusion, we believe it unreasonable and totally unproductive to arrive at a solution for the issue of our employment of uncertified teachers during the period of the audit that would require a return of funds to the state or a reduction in our current tuition rate. We look forward to working with SED and its field team on this issue, and having the approval of SED for our corrective action, as we did during the audit period.

Other Ineligible Employee Compensation: \$38,745

There are three components to the disallowance of \$38,745 which are as follows:

1. A Christmas Gift to all staff which of the agency in 2008, with the portion allocated to education totaling \$8,905.
2. Retirement Bonuses of \$6,468.
3. Salary Action Bonuses of \$27,986

The Christmas Gift in 2008 was given to all staff in the agency in form of a one time action included in their wages, and acknowledging their contributions as a whole during a difficult period. Each staff member received the same amount of about \$125, regardless of position.

We believe the retirement bonuses represent payments to education staff who retired during the period of the audit. The LaSalle Personnel Policy specifically describes the benefits for any staff who meet the threshold based on their total years of service at the time of their retirement. One of the benefits described as Retirement Bonuses (perhaps the wrong choice of wording in the Personnel Manual) is a payment of \$50 for each year of service to LaSalle. We do not think this is particularly unusual or excessive and do not feel it should be disallowed, although there seems to be no provision in the RCM allowing for it.

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LaSalle Response: OSC Report 2012-S-68

We recognize that under the definition of Bonus used in the RCM, a portion of the non-reoccurring compensation we gave to all employees (excluding Executive administration) as part of the agency wide salary action in the spring of 2011, fails to meet the standards for eligibility for reimbursement. We do wish to point out that the bonuses, which amounted to either 3% or 1.5% of base salary for the non-teaching staff, were not in addition to raises or other salary actions for staff during that school year. Due to the frozen funding stream and the challenging economy, at that time LaSalle's education staff had not benefited from a change in salary since September of 2008. (Note: No employees of LaSalle receive automatic annual or anniversary steps or increments in compensation). In 2011, the state was well into what would be a five year period in which growth in funding to meet increases in allowable cost was frozen, which has suppressed the wages of our employees in all 853 schools.

This is further complicated by the fact that during this period, teachers did not receive bonuses under the definition of the RCM. The teachers, because they were eligible for Excess Teacher Turnover Prevention Grant funds provided by SED and approved by DOB, were not part of the bonus, and do not factor into the \$27,986 identified for disallowance by the OSC. That figure represents the funds received by the non-instructional staff in the school and the allocated administrative portion of that action. It is important to note again, that in June of 2011 the salaries for employees in the school, including teachers, aides and support staff, had not changed since September of 2008.

Further, the promulgation of LaSalle's tuition rate in 2012-13 included reconciliation of the 2010-11 costs, and resulted in a disallowance, due to cost screens, of \$106,785 in expense. This is a function of variables in expense in the base year in combination with growth factors and cost screens applied to those expenses as part of the rate promulgation. State government determined that the growth factors for the rate year would be zero. In more clear language, this means that \$106,785 of at that time allowable educational costs that LaSalle experienced and reported in the base year (2010-11), were subject to cost screens and disallowed in factoring the rate for the 2012-13 school year.

In essence, what we have maintained is that the \$27,986 in expenses recorded in the CFR in 2010-11 and described as ineligible bonuses to educational staff, and consequently identified as disallowed in the audit, were not supported with government funding in the first place. Nor did the expense generate any additional government funding downstream. Further, a correction to the CFR to record those bonuses as an unallowable expense would appear to have no impact on allowable government funding in the out years. LaSalle relied upon charitable dollars as a means to afford the bonuses for its staff, including those in the education program, and did not realize any increase in government funding in the form of a higher tuition rate two years later, as a result.

We look forward to working with SED in response to the recommendations of the OSC regarding this area of disallowance.

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OTHER THAN PERSONAL SERVICE COSTS (OTPS):**Ineligible Vehicle Costs: \$11,450**

We agree that insufficient logs were maintained for these vehicles that would support the portion allocated to education. We wish to recognize that the OSC did not find these expenses to be unnecessary, excessive or inappropriate.

Inadequately Documented Staff Travel: \$3,135

We agree that the documentation system for staff travel in use during the audit period was insufficient. Adjustments have been made to our documentation for travel reimbursement requests to include complete addresses of the starting point and destination, as well as additional clarity for the purpose of the travel. We wish to recognize that the OSC did not find any of the disallowed expenses to be unnecessary, excessive or inappropriate.

Inadequately Documented and Ineligible Credit Card Purchases and Fees: \$3,005

We agree with the finding that a relatively small amount of reimbursement or payments, both in actual dollars and related transactions, over a three year period of the audit did not contain sufficiently detailed documentation. We expect to be more diligent in our practices for securing the documentation necessary to insure these reimbursements and payments satisfy the requirements of the RCM. We wish to note that the OSC did not find any of the disallowed expenses to be unnecessary, excessive or indicative of purposeful misuse.

Other Ineligible OTPS Costs: \$1,750

Longevity bonuses are small recognition awards given annually to employees who achieve significant anniversary milestones in service such as ten, twenty and even thirty years. The particular Christmas Bonus referred to was improperly recorded and we have made adjustments so that these expenses, should they occur in the future, are properly managed.

The amount of \$386 dollars represents funds spent on agency recognition of retiring employees. The descriptions of the items are accurate, and the framed artwork typically represented a photo montage spanning their years of service, that would be of value only to the individual. Such expenses will be recorded consistent with the cost manual.

Ineligible Staff Conference Costs: \$643

We do not disagree with the findings, and the OSC did advise us that we had miscoded some expenses, such as the monthly attendance of our Human Resources Director at the local professional group, as a conference (thus limiting the allowable reimbursement for this individual to only three such meetings a year). We have made the appropriate adjustments to practice, and again, wish to point out that the OSC did not identify any of the disallowed expense to be excessive or purposeful misuse.

INTERNAL CONTROL and PROCEDURAL WEAKNESSES**Lack of Board Approval of Contracts**

At the January 2014 meeting of the Board of Trustees, new policy regarding the board approval of contracts was adopted. During the audit period, there were no unusual or one-time major acquisitions or expenditures. When there have been such activities, such as the purchase of real property or major renovations to buildings owned by the agency, the board has reviewed such action and has approved the agency entering into the associated contracts.

We appreciate the observations of the OSC and wish to point out that the audit did not identify any inappropriate contracting or misappropriations.

Conflict of Interest Policy and Disclosure:

LaSalle has had a Conflict of Interest policy in place for many years. At the January 2014 meeting of the Board of Trustees, an updated version of the policy was adopted and the procedures for the filing of the annual statements for each board member were clarified. In 2013, 100% of the Trustees completed the statements. We do not anticipate an issue in the future with regard to satisfaction of this requirement by all board members and senior administrators.

Disclosure of LTAL Business Arrangements:

We have made dramatic changes to the LTAL business transactions policy for the board, which were adopted at the January 2014 meeting of the Board of Trustees. The policy sets forth the following criteria that must be satisfied when a LTAL business transaction is a possibility.

1. Disclosure Required: The conflict of interest must be disclosed consistent with the Annual Disclosure Policy.
2. Recusal: The Trustee must excuse himself or herself from any vote associated with action that results in consideration. The Trustee can be a party to discussion, but must excuse himself or herself from any meeting if requested to do so by the chairperson of the meeting.
3. Free from Influence: The transaction may not be approved unless the board is confident that the decision was free from unreasonable influence on the part of the Trustee and/or any representative of the Trustee.
4. No Excessive Benefit: The transaction may not be approved unless the board is confident that the benefit experienced by the Trustee is fair and reasonable, and not excessive or to the detriment of LaSalle School. This may be determined through a number of avenues, such as, Request for Qualifications, Request for Proposals, other bid processes as well as the processes herein.
5. Transparency: The recommendation for entering into the transaction must be presented to the full board for its consideration. The recommendation shall address each of the criteria listed in writing. The approval of the recommendation requires a vote of the board, the results of which are to be recorded in the minutes of the board meeting.
6. Records of Proceedings: The minutes of the governing board and all committees with board delegated powers shall include the names of the trustees or officers who disclosed or otherwise were found to have a financial interest in connection to an actual or potential conflict

LaSalle Response: OSC Report 2012-S-68

of interest, the nature of the financial interest, and content of discussion. The minutes also include the names of the persons present for discussion and any votes taken in connection with the proceedings.

We are confident that in the past, LaSalle School and its Board of Trustees have complied with the essential spirit of the criteria set forth above. While our ability to document every aspect of the points above was limited, we wish to acknowledge that the OSC found no reason to suspect any misappropriation of funds or other serious concerns for the business arrangements involving members of the board.

Non Compliance with Accounting and Record-Keeping Requirements

We object to the OSC's use of the term Non-Compliance with respect to the review of the accounting practices.

We do not agree that the cost allocation process was not properly documented. The documentation and supporting information concerning LaSalle School's allocation methodologies was extensive and comprehensive. The allocation is a straight forward process that is very deliberate and systematic. It may be long, in that it has 18 steps, but each step is clear and a logical progression from the step prior. The allocation system works well, is reliable and is accurate and tests performed by the auditors determined that LaSalle finance staff properly allocated costs. It is part of an integrated system that provides us with a means to perform a variety of important tasks including, interim operating forecasts and budget projections.

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Additionally, we would like to point out that the OSC did not provide us with any prior written explanation of this finding that identified the problems. As such, we did not have an opportunity to respond to this concern prior to the exit conference.

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We agree that the salaried employees in the education program, mostly full time teachers were not required by LaSalle to submit time sheets that were compliant with the RCM during the audit period. This does not suggest that the attendance and work time of teachers was not recorded and monitored, as that was essential for a variety of factors such as tracking use of sick time and more. Beginning with the 2011-12 school year, more than a year in advance of receiving notification of the OSC audit but after the period actually audited, LaSalle instituted an RCM compliant time sheet system for use by teachers. The auditors did review examples of those revised time sheets.

This concludes the response to the finding of the audit.

Thank you.

Bill Wolff, Executive Director

Mark Lahut: Associate Executive Director for Finance and Information Systems

February 24, 2014

State Comptroller's Comments

1. During our fieldwork, LaSalle officials told us the teachers in question had been working towards the required certifications. Nevertheless, as detailed in our report, these teachers lacked the required certifications during all or some portion of our audit period. Therefore, certain portions of their compensation, claimed on the CFRs, were ineligible for reimbursement.
2. We used LaSalle's teaching titles and related pay scales to determine the amount of compensation LaSalle should have claimed on their CFRs for uncertified staff. When a teacher lacked the proper certification for the title for which he/she was compensated (as claimed on CFRs), we adjusted the allowable compensation to levels commensurate with the employee's education and/or other accreditations.
3. We have provided LaSalle with an updated list of the teachers for whom we disallowed certain amounts of compensation due to the lack of the required certifications. Also, we reduced the amount of this disallowance by \$322 based on additional information provided by LaSalle.
4. Although LaSalle's personnel policy provides for payments to staff with certain years of service upon retirement, such compensation is not reimbursable per the Reimbursable Cost Manual (RCM). Therefore, we disallowed the amounts in question.
5. Our audit objective was to determine whether the costs reported by LaSalle on its CFRs were properly calculated, adequately documented, and allowable under the RCM and the Consolidated Fiscal Report Manual. The costs in question were, in fact, reported on LaSalle's CFRs. Because they were ineligible for reimbursement, we disallowed them. SED will review the disallowances and determine the extent to which they impact LaSalle's CFRs and related tuition reimbursement rates.
6. We acknowledge that LaSalle did not improperly allocate costs. Nevertheless, as detailed in the report, the allocation methodology did not include clear descriptions of how to perform each of its 18 steps. Further, because the Associate Executive Director is the only employee familiar with the allocation process, it is critical that the process be sufficiently documented so other LaSalle employees can perform it, if and when the need arises.
7. During our audit fieldwork, we met with LaSalle officials (including the Associate Executive Director) on multiple occasions to obtain clarifications and to express concerns pertaining to the lack of documentation detailing how each step of the cost allocation process should be performed.