



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 Books and Rattles, Inc.



Report 2016-S-25

January 2017

Executive Summary

Purpose

To determine whether the costs reported by Books and Rattles, Inc. (Books and Rattles) 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 (Manual). The audit included all expenses claimed on Books and Rattles' CFR for the fiscal year ended June 30, 2014, and certain expenses claimed on Books and Rattles' CFRs for the two fiscal years ended June 30, 2013.

Background

Books and Rattles is a New York City-based for-profit organization authorized by SED to provide full-day Special Class (SC) and full-day Special Class in an Integrated Setting (SCIS) preschool special education services to children with disabilities who are between the ages of three and five years. For purposes of this report, these programs are collectively referred to as the SED cost-based programs. During the 2013-14 school year, Books and Rattles served about 139 students. The New York City Department of Education (DoE) refers students to Books and Rattles based on clinical evaluations, and pays for Books and Rattles' services using rates established by SED. The rates are based on the financial information that Books and Rattles reports to SED on its annual CFRs. SED reimburses DoE for a portion of its payments to Books and Rattles based on statutory rates. Reimbursable costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the three fiscal years ended June 30, 2014, Books and Rattles reported approximately \$9.7 million in reimbursable costs for the audited cost-based programs.

In addition to the SC and SCIS cost-based preschool special education programs, Books and Rattles operated another SED-approved preschool special education program: 1:1 Aides. However, payments for services under this program were based on fixed fees, as opposed to the cost-based rates established through CFR-reported financial information. Furthermore, Books and Rattles' Executive Director owns a related company (Green Educational Services, LLC), which operates private day care programs in the same locations as the SED cost-based programs. Books and Rattles also received monetary grants from other governmental sources.

Key Findings

For the three fiscal years ended June 30, 2014, we identified \$242,357 in reported costs that did not comply with the Manual's requirements and recommend that such costs be disallowed. The ineligible costs included \$115,949 in personal service costs and \$126,408 in other than personal service costs. Among them were:

- \$60,690 in unsupported compensation, including \$46,684 paid to employees of another organization;
- \$57,097 in vehicle expenses that did not comply with the Manual's requirements;
- \$39,226 in unsupported expenses, including \$10,806 in classroom supplies and \$6,671 in repairs and maintenance expenses; and
- \$39,027 in unsupported allocated costs for shared employees.

Key Recommendations

To SED:

- Review the recommended disallowances identified by our audit and, if warranted, make the appropriate adjustments to the costs reported on Books and Rattles' CFRs and to Books and Rattles' tuition reimbursement rates.
- Work with Books and Rattles officials to help ensure their compliance with the provisions in the Manual.

To Books and Rattles:

- Ensure that costs reported on future CFRs comply with the requirements in the Manual.

Other Related Audits/Reports of Interest

[Milestone School for Child Development: Compliance With the Reimbursable Cost Manual \(2014-S-37\)](#)

[Whitestone School for Child Development: Compliance With the Reimbursable Cost Manual \(2014-S-38\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

January 3, 2017

Ms. MaryEllen Elia
Commissioner
State Education Department
State Education Building - Room 125
89 Washington Avenue
Albany, NY 12234

Ms. Jeanne Krawec
Executive Director
Books and Rattles, Inc.
63-08 69th Place
Middle Village, NY 11379

Dear Ms. Elia and Ms. Krawec:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and, by so doing, 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, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the expenses submitted by Books and Rattles, Inc. to the State Education Department for the purposes of establishing the tuition reimbursement rates. 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 4410-c of the State Education Law.

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

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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State Government Accountability Contact Information:

Audit Director: Kenrick Sifontes

Phone: (212) 417-5200

Email: StateGovernmentAccountability@osc.state.ny.us

Address:

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

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

Background

Books and Rattles, Inc. (Books and Rattles) is a New York City-based for-profit organization authorized by the State Education Department (SED) to provide full-day Special Class (SC) and full-day Special Class in an Integrated Setting (SCIS) preschool special education services to children with disabilities who are between the ages of three and five years. For purposes of this report, these programs are collectively referred to as the SED cost-based programs. During the 2013-14 school year, Books and Rattles served about 139 students.

The New York City Department of Education (DoE) refers students to Books and Rattles based on clinical evaluations, and pays for Books and Rattles' services using rates established by SED. The rates are based on the financial information that Books and Rattles reports to SED on its annual Consolidated Fiscal Reports (CFRs). To qualify for reimbursement, Books and Rattles' expenses must comply with the criteria set forth in SED's Reimbursable Cost Manual (Manual), which provides guidance to special education providers on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses relating to multiple programs. Reimbursable costs must be reasonable, program related, and sufficiently documented. The State reimburses the DoE 59.5 percent of the statutory rate it pays to Books and Rattles.

Chapter 545 of the Laws of 2013 requires the State Comptroller to audit the expenses reported to SED by special education service providers for preschool children with disabilities. For the three fiscal years ended June 30, 2014, Books and Rattles reported approximately \$9.7 million in reimbursable costs for the cost-based programs. Our audit focused primarily on fiscal year 2013-14. However, we expanded our review to include certain items claimed on the CFRs for the two fiscal years 2011-12 and 2012-13.

In addition to the SC and SCIS cost-based preschool special education programs, Books and Rattles operated another SED-approved preschool special education program: 1:1 Aides. However, payments for services under the 1:1 Aides Program were based on fixed fees, as opposed to the cost-based rates established through CFR-reported financial information. Furthermore, Books and Rattles' Executive Director owns a related company (Green Educational Services, LLC), which operated private day care programs in the same locations as the SED cost-based programs. Books and Rattles also received monetary grants from other governmental sources.

Audit Findings and Recommendations

For the three fiscal years ended June 30, 2014, we identified \$242,357 in reported costs that did not comply with the Manual's requirements for reimbursement. The ineligible costs included \$115,949 in personal service costs and \$126,408 in other than personal service (OTPS) costs (see Exhibit at the end of the report).

Personal Service Costs

According to the Manual, personal service costs, which include all taxable and non-taxable salaries and fringe benefits paid or accrued to employees on the agency's payroll, must be reported on the CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). All claimed costs must comply with applicable provisions of the Manual. Further, the Manual states that costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the education programs, and sufficiently documented. However, we identified \$115,949 in personal service costs that did not comply with the applicable provisions of the Manual for reimbursement.

Unsupported Compensation

The Manual requires that reimbursable compensation costs be based upon approved and documented payrolls. Payrolls must be supported by employee time and attendance records, which must be signed by both the employee and his/her supervisor and completed at least monthly. The Manual also states that costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the education programs, and sufficiently documented. Costs will not be reimbursable on field audit without appropriate written documentation of costs. We identified \$60,690 in compensation costs that were not in compliance with the requirements of the Manual.

Books and Rattles officials reported \$46,684 in compensation (salary and fringes) for eight individuals who were not employees of Books and Rattles, nor were they on Books and Rattles' payroll. Instead, we found the eight individuals were employees of Green Educational Services, LLC, a related company owned by Books and Rattles' Executive Director. Further, Books and Rattles officials could not provide us any documentation, or any work product, demonstrating that these individuals performed work for the SED cost-based programs.

We also found that Books and Rattles overstated the compensation for five employees on its fiscal year 2013-14 CFR. According to payroll records, the five employees earned \$30,491 in fiscal year 2013-14, while Books and Rattles reported \$44,497 in compensation on its CFR – a difference of \$14,006.

Thus, we recommend that SED disallow \$60,690 (\$46,684 + \$14,006) in unsupported compensation expenses charged to the SED cost-based programs.

Unsupported Allocation of Shared Employees

According to the Manual, 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. If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized. This is especially important when a provider, such as Books and Rattles, operates multiple programs. Further, the costs of employees who work as 1:1 aides are funded separately from the cost-based preschool special education programs.

During fiscal year 2013-14, we identified 10 Books and Rattles teacher assistants whose compensation was allocated between the SED cost-based programs and the 1:1 Aides Program. In total, \$39,027 was reported to the SED cost-based programs on Books and Rattles' CFR. However, Books and Rattles failed to maintain the appropriate documentation to support its allocation of the shared employees' compensation between the SED cost-based programs and the 1:1 Aides Program. Consequently, we recommend that SED disallow \$39,027 in costs charged to the SED cost-based programs.

Books and Rattles officials maintain that these employees worked as teacher assistants for the SED cost-based programs; however, they could not provide any documentation to support this assertion.

Non-Mandated Fringe Benefits

For fiscal year 2013-14, we determined that Books and Rattles claimed ineligible health insurance expenses totaling \$10,593, including:

- \$4,766 in unnecessary medical insurance premiums that were paid on behalf of a former employee; and
- \$5,827 in duplicative health insurance premiums that were paid to two different health insurance providers for the same month (April 2014).

Books and Rattles officials agreed with the findings, and acknowledged that they forgot to remove the former employee from their health insurance program. In addition, officials told us that they cancelled one insurance policy too late in the month; and therefore, they paid an additional month's premium after coverage from another policy (for which premiums were paid) began.

As such, we recommend that SED disallow \$10,593 (\$4,766 + \$5,827) in unnecessary health insurance premiums that did not comply with the Manual's requirements.

Excessive Executive Compensation

According to the Manual, compensation (i.e., salaries plus fringe benefits) for an entity's staff whose function is that of Assistant Executive Director will be directly compared with the regional median compensation for comparable administration job titles of public school districts. Reimbursement of employee compensation for an Assistant Executive Director shall not exceed the median compensation paid to comparable personnel in public schools for similar work and hours of employment in the region in which the entity is located.

For two fiscal years ended June 30, 2012 and June 30, 2014, Books and Rattles reported \$23,409 and \$53,552, respectively, in compensation (salary and fringe benefits) for its part-time Assistant Executive Director. The regional median compensation for a part-time Assistant Executive Director during this two-year period was \$21,283 and \$49,442, respectively – a difference of \$6,236 over the two-year period. We recommend a disallowance of \$5,639, the amount over-allocated to the SED cost-based programs. (Note: Pursuant to desk review, SED disallowed these costs prior to our audit.)

Other Than Personal Service Costs

According to the Manual, costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. During the three fiscal years ended June 30, 2014, Books and Rattles charged \$3.6 million in OTPS expenses to the SED cost-based programs. We identified \$126,408 of these expenses that did not comply with SED reimbursement requirements.

Vehicle Expenses

According to the Manual, vehicle use must be documented with individual vehicle logs that include at a minimum: the date and time of travel, to and from destinations, mileage between each destination, the purpose of travel, and the name of the traveler. The Manual also states that costs associated with the personal use of a program-owned or leased automobile are not reimbursable. For the three fiscal years ended June 30, 2014, Books and Rattles charged \$57,097 in vehicle expenses to the SED cost-based programs. The ineligible vehicle-related expenses included the following:

- \$18,108 in gasoline expenses;
- \$16,284 in vehicle insurance costs;
- \$14,840 in E-ZPass charges;
- \$4,499 in vehicle lease payments; and
- \$3,366 in vehicle repairs, parking, and other miscellaneous expenses.

We found that Books and Rattles officials did not maintain the required vehicle logs to support the use of the vehicles. Books and Rattles officials agreed with our findings. We recommend that SED disallow \$57,097 in vehicle expenses because these expenses did not comply with the

requirements in the Manual.

Unsupported Expenses

The Manual states all purchases must be supported with invoices listing the items purchased, date of purchase, and date of payment as well as the cancelled checks. Payments for consultant services must be supported by a written contract describing the nature of the services to be provided and daily or hourly fees; itemized invoices that indicate the specific services actually provided; and for each service, the date(s), number of hours provided, fee per hour, and total amount charged. In addition, when direct care services are provided, the documentation must also indicate the names of students served. However, for the three fiscal years ended June 30, 2014, we identified \$39,226 in expenses that did not meet the Manual's documentation requirements, including:

- \$10,806 in classroom supplies;
- \$6,671 in repairs and maintenance expenses;
- \$7,052 in expensed equipment;
- \$5,050 in legal services;
- \$3,251 in office expenses;
- \$2,587 in speech therapy services;
- \$1,898 in services provided by relatives of the Executive Director;
- \$1,736 in staff development expenses and other miscellaneous expenses (e.g., licenses, travel); and
- \$175 in school trip expenses.

Consequently, we recommend that SED disallow \$39,226 because the expenses were not sufficiently documented.

Ineligible Expenses

The Manual states that costs will be considered for reimbursement provided such costs are reasonable, necessary, and directly related to the education programs. In addition, the Manual states that costs of gifts and food purchased for staff are not reimbursable. Also, costs resulting from violations of, or failure by, the entity to comply with Federal, State, and/or local laws and regulations are not reimbursable. Costs incurred for telephone/cell phone service, local and long-distance telephone calls, and electronic facsimiles (faxes) are reimbursable provided they are used primarily in furtherance of the operation of the special education program. For the three fiscal years ended June 30, 2014, we identified \$28,076 in expenses that were ineligible for reimbursement as follows:

- \$10,264 in fines and penalties, including \$4,280 in late payments on credit cards, \$4,778 in late lease payments, and \$1,206 in traffic violation fines;
- \$7,899 in wireless phone service charges for phones provided to the Executive Director's family members who were not employees of Books and Rattles;
- \$6,635 in food purchased for staff members; and

- \$3,278 in miscellaneous expenses, including \$2,011 in gifts for employees (e.g., money, flowers, chocolates).

We recommend SED disallow \$28,076 in ineligible expenses reported to SED cost-based programs.

Employee Travel Expenses

According to the Manual, 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 his/her supervisor to be reimbursable. We identified \$2,009 in employee travel expenses (e.g., taxi fares, train tickets) that did not meet the Manual's requirements. For example, we found that Books and Rattles purchased \$999 in Long Island Rail Road tickets; however, officials did not maintain the required log. As a result, we have no assurance that the travel expenses were for business purposes. Consequently, we recommend that SED disallow \$2,009 in travel expenses that were not in compliance with the Manual's requirements.

Recommendations

To SED:

1. Review the recommended disallowances identified by our audit and, if warranted, make the appropriate adjustments to the costs reported on Books and Rattles' CFRs and to Books and Rattles' tuition reimbursement rates as appropriate.
2. Work with Books and Rattles officials to help ensure their compliance with the provisions in the Manual.

To Books and Rattles:

3. Ensure that costs reported on the future CFRs comply with the requirements in the Manual.

Audit Scope and Methodology

We audited the costs reported on Books and Rattles' CFRs to determine whether they were properly documented, program related, and allowable pursuant to SED's Manual. The audit included all claimed expenses for fiscal year 2013-14, and certain expenses claimed on Books and Rattles' CFRs for the two fiscal years ended June 30, 2013.

To accomplish our objective, we reviewed the Manual, the Consolidated Fiscal Reporting and Claiming Manual, Books and Rattles' CFRs, and relevant financial records for the audit period. We also interviewed Books and Rattles officials, staff, and independent auditors to obtain an understanding of their financial and business practices. In addition, we assessed 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, such as vehicle expense, salary expense, and travel expense. Our samples were not designed to be projected to the entire population of reported costs. Also, our review of Books and Rattles' internal controls focused on the controls over Books and Rattles' CFR preparation process.

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 during our audit 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 to certain boards, commissions, and public authorities, some of whom have minority voting rights. 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; Article II, Section 8 of the State Finance Law; and Section 4410-c of the Education Law.

Reporting Requirements

We provided draft copies of this report to SED and Books and Rattles officials for their review and formal comment. Their comments were considered in preparing this final report and are attached to it. In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. In their response, however, Books and Rattles officials challenged some of our report's findings. Based on information provided by Books and Rattles, we adjusted certain disallowances. Also, our rejoinders to certain Books and Rattles' comments 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.

Contributors to This Report

Kenrick Sifontes, Audit Director
Stephen Lynch, Audit Manager
Alina Mattie, Audit Supervisor
John Ames, Examiner-in-Charge
Claire Jamieson, Senior Examiner
Raymond Louie, Senior Examiner
Hugh Zhang, Senior Examiner

Division of State Government Accountability

Andrew A. SanFilippo, Executive Deputy Comptroller
518-474-4593, asanfilippo@osc.state.ny.us

Tina Kim, Deputy Comptroller
518-473-3596, tkim@osc.state.ny.us

Brian Mason, Assistant Comptroller
518-473-0334, bmason@osc.state.ny.us

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

Books and Rattles, Inc.
Summary of Submitted and Disallowed Costs
for the 2011-12, 2012-13, and 2013-14 Fiscal Years

Program Costs	Amount Per CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$5,258,135	\$110,310	\$5,147,825	
Agency Administration	811,134	5,639	805,495	
Total Personal Services	\$6,069,269	\$115,949	\$5,953,320	A, H, I, J, N
Other Than Personal Services				
Direct Care	\$3,017,982	\$61,294	\$2,956,688	
Agency Administration	579,701	65,114	514,587	
Total Other Than Personal Services	\$3,597,683	\$126,408	\$3,471,275	A-H, K-M
Total Program Costs	\$9,666,952	\$242,357	\$9,424,595	

Notes to Exhibit

The following Notes refer to specific sections of SED's Reimbursable Cost 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 Books and Rattles officials during the course of our audit.

- A. Section II - Costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the education program, and sufficiently documented.
- B. Section II.20 - All personal expenses, such as personal travel expenses, laundry charges, beverage charges, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on a personal vehicle, rental expenses for personal apartments, etc., are not reimbursable unless specified otherwise in this Manual. All personal expenses and costs incurred for entertainment and holiday parties for officers or employees, flowers and for activities not related to the program are not reimbursable.
- C. Section II.21 - Costs resulting from violations of, or failure by, the entity to comply with Federal, State, and/or local laws and regulations are not reimbursable.
- D. Section II.22.C - The cost of food provided to staff are not reimbursable.
- E. Section II.24 - Gifts of any kind are not reimbursable.
- F. Section II.57.A - Costs incurred for telephone/cellphone service, local and long distance telephone calls, and electronic facsimiles (FAX) are reimbursable provided that they are used primarily in furtherance of the operation of the special education program. In the case of cellphone data and text messaging charges, providers must demonstrate the business necessity for such additional cellphone features and that the cost of the plan(s) is no greater than necessary to meet the Provider's business needs. Any personal use of the devices must meet the *de minimis* fringe benefit standard as established by the IRS.
- G. Section II.59.D.1 - Cost associated with personal use of a program-owned automobile are not reimbursable. In addition, the costs of vehicles used by program officials, employees, or Board members to commute to and from their homes are not reimbursable.
- H. Section III.1 - Cost will not be reimbursable on a field audit without appropriate written documentation of costs.
- I. Section III.1.A - Compensation costs must be based on approved and documented payrolls. Payrolls must be supported by employee time and attendance records which must be signed by both the employee and his/her supervisor, and completed at least monthly.
- J. 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. If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized. Documentation for all allocation methods (bases and percentages) must be retained for a minimum of seven years.
- K. Section III.1.C.2 - Adequate documentation includes, but is not limited to, the consultant's resume, a written contract which includes the nature of the services to be provided, the

charge per day and service dates. All payments must be supported by itemized invoices which indicate the specific services actually provided; and for each service, the date(s), number of hours provided, the fee per hour; and the total amount charged. In addition, when direct care services are provided, the documentation must also indicate the names of students served.

- L. Section III.1.D - All purchases must be supported with invoices listing the items purchased, date of purchase, date of payment as well as the cancelled checks.
- M. Section III.1.J - 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.
- N. Section IV.2.F - All 1:1 aide costs (salaries, fringe benefits of the aide and allocated direct and indirect costs) should be reported in one separate cost center on the providers' financial reports.

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

December 27, 2016

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

Dear Mr. Sifontes:

The following is the New York State Education Department's (Department) response to the draft audit report, 2016-S-25, Compliance with the Reimbursable Cost Manual: Books and Rattles, Inc. (Books and Rattles).

Recommendation 1: Review the recommended disallowances identified by our audit and, if warranted, make the appropriate adjustments to the costs reported on Books and Rattles' CFRs and to Books and Rattles' tuition reimbursement rates.

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.

Recommendation 2: Work with Books and Rattles officials to help ensure their compliance with the provisions in the Manual.

We agree with this recommendation. The Department will continue to provide technical assistance whenever requested and will strongly recommend that Books and Rattles' officials take advantage of our availability to help them better understand the standards for reimbursement as presented in Regulation and the Reimbursable Cost Manual. In addition, Consolidated Fiscal Report (CFR) training is available at six locations across the State and online on the Department's webpage. The training is recommended for all individuals signing CFR certification statements, namely Executive Directors and Certified Public Accountants, and is required for preschool special education providers upon approval and reapproval. Furthermore, the Department intends to require that the training be mandatory for all providers.

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

Sincerely,


Sharon Cates-Williams

c: Christopher Suriano
Suzanne Bolling

Agency Comments - Books and Rattles, Inc.



December 22, 2016

Kenrick Sifontes
Audit Director
Office of the New York State Comptroller
59 Maiden Lane, 21st Floor
New York, NY 10038

Books and Rattles
Final draft response 12/15/16

Personal Service Costs:

Books and Rattles officials did not report 46,684 for eight individuals who were not employees of Books and Rattles nor were they on Books and Rattles payroll. We found 8 individuals who were employees of Green Educational Services. Officials advised us that these 8 individuals provided services when BR was short of teachers. Books and Rattles officials could not provide us any documentation or work product demonstrating that these individuals performed work for the SED cost based program.

Response: Out of the 8 employees only one employee Marilyn Lyles was a community teacher assistant who filled in temporarily when a teacher aide or teacher was missing in the special education program. Books and Rattles did not have proper procedures in place where these employees signed in on the day they crossed programs.

Of the remaining employees cited in the report, all worked in our special education program and were erroneously paid through Green Education Services. Books and Rattles can demonstrate through class lists and time sheets, employee Hue Throng (special education teacher), Bryan Endoza, Nayma Domacase, Anise Lall, Francesca Montas and Norma Khremarajra were all hired as Books and Rattles employees as sub ta or permanent ta's. These employees were in error paid through Green Educational Services when in fact they were employees of Books and Rattles. Books and Rattles in response has asked our former HR Director to find these employees initial offer letters and the company was able to find these as well as staff placements on our class list which we have provided for you and serves as documentation of their classroom placement. BR provided to you Hue Trong staff file which states she was hired as a special education teacher. In addition BR has provided time cards which support their work hours which match to the hours of our special education program 8:00-1:30/8:00-2:00/8:00-4:30.

*
Comment
1

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Comment
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Comment
3



63 - 08 69TH PLACE • MIDDLE VILLAGE • NEW YORK • 11379 • TEL: (718) 381 - 7777 • FAX: (718) 381 - 7305 • E: BOOKSANDRATTLES2003@YAHOO.COM
75 - 02 51ST AVENUE • ELMHURST • NEW YORK • 11373 • TEL: (718) 899 - 1532 • FAX: (718) 899 - 1401 • E: PEEKABOOLCI@AOL.COM
86 - 28 FRANCIS LEWIS BLVD • HOLLISWOOD • NEW YORK • 11427 • TEL: 718 • 740-2300 • FAX: 718-740-2301 E: LEARNINGTREE1972@AOL.COM

WWW.BOOKSANDRATTLESINC.COM



"A MIND IS A PRECIOUS THING TO WASTE, COME GROW WITH US"

*See State Comptroller's Comments, page 21.



Our class lists and reporting of TA's and sub TA's have matched out to our CFR. Books and Rattles therefore requests that Hue Trong and Niaz Nassiri who were employed as special education teachers, Bryan Endoza, Nayma Domacase, Anise Lall, Francesca Montas and Norma Kremarajra salaries be allowed as expenses as documented by staff list archives which demonstrates they were on our staff roster as well as time cards provided which show they worked hours designated as special education (8:00-4:30 or 8:00-1:30). Marilyn Lyles did sub in but was an employees of Green Educational Services. Books and Rattles respectfully requests that \$45,274.00 be restored minus Marilyn Lyles (\$1,410.00) Our class lists have always been the documentation of our special education staff and the basis of our CFR. Brianna Daquin, Negin Najmabadi, Nisa Zebun, Halismoon Ramjan and Jonalyn Dizon were initially employed by Green Educational services and then changed to 232 TA through Books and Rattles. Books and Rattles have provided OSC with original class lists from 13/14 plus time sheets which support their employment as Books and Rattles employees in the 4410 program. Therefore, Books and Rattles respectfully requests that 14006 and 45274 be restored as allowable expenses, (minus \$1,410.00 for Marilyn Lyles) for whom we did not provide a time of study of when she provided substitute services for Books and Rattles.

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1:1 Aides

During the fiscal year 13/14 10 Books and Rattles teacher assistants whose compensation was allocated between the SED cost based programs on Books and Rattles CFR. However, BR failed to maintain the appropriate documentation to support its allocation of the shared employee's compensation between the SED costs based program and the 1:1 aides.

Response:

As stated in our initial response to Preliminary Report 3 Books and Rattles requests that the disallowance of 1:1 aides in the amount of 39,027 be restored. BR objects to comments that our PTC code teacher assistants are being disallowed in our program for the 13/14 year. Our 1:1 aides are reported accurately. To understand our program for the fiscal year 13/14, our school operated full and half day classes. Our PTC staff may be assigned to work as a 1:1 aide in a full or half day program. That is 5 hours of 2.5 hours. The balance of the day they work in the classroom as a teacher assistant if they are on an 8 hour schedule.

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Comment
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75 - 02 51ST AVENUE • ELMHURST • NEW YORK • 11373 • TEL: (718) 899 - 1532 • FAX: (718) 899 - 1401 • E: PEEKABOOLC1@AOL.COM
86 - 28 FRANCIS LEWIS BLVD • HOLLISWOOD • NEW YORK • 11427 • TEL: 718 • 740-2300 • FAX: 718-740-2301 E: LEARNINGTREE1972@AOL.COM

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Due to the number of children requiring 1:1 aides BR has provided training to a specific group of TA which allows TA's to become trained 1:1 when a child enters the program with a 1:1 mandate.

Therefore, our ta's move from a ta to a 1:1 aide and their 1:1 status is indicated on the class list provided to you. Also if an employee works as a 1:1 in the 9230 program and a ta opening exists from 2:00-4:30 it is only logical that the 1:1 work from 2:00-4:30 as a ta since it is impossible to hire a ta from 2:00-4:30.

Books and Rattles reconciled 1:1 aides on CFR4 .Books and Rattles has been able to document on original class lists assignments which designate and identify these staff as 1:1. We are also providing you with a staff memo that demonstrates 1:1 were always identified separately from TA's. We therefore ask to have 39,000 allowed. Books and Rattles have provided OSC with original class lists, time cards and employee offer letters documenting that 1:1 aides did work as reported and that our 13 employees were accurately reported as employees of their reported programs.

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Unsupported Expenses:

Three fiscal years ending on June 30, 2014 Books & Rattles, Inc. we identified \$264,590.00 in reported costs that did not comply with the manual's requirement and recommend that such cost be disallowed. The ineligible cost included \$115,949.00 in personal service cost and \$148,641.00 in other than personal service cost among them is:

\$64,164.00 in unsupported expenses including \$18,019.00 in classroom supplies and \$10,697.00 in repairs and maintenance.

Response:

Books & Rattles, Inc. submitted on 12/19/16 proof of invoices and payment to Office of the State Controller for the following outstanding items that were in these categories:



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Copy of Payments 13/14 Fiscal Year

	Proof of Services	Missing Documents
7101 Grant Arts	9,065.00	1,540.00
Classroom Supplies	2,371.35	345.09
7113 Grants Supplies	909.00	0.00
Classroom Supplies 4410	4,682.15	0.00
School Trips	1,050.00	0.00
Repairs & Maintenance	8,850.00	0.00
Journal Entries	15,844.00	0.00
Telephone	0.00	99.00
Total Receipts for OTPS	42,771.50	1,984.09

We therefore request the unsupported expense be reduced by \$42,771.50 which represents the total amount of receipts and copy of checks submitted.

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Respectfully,

Jeanne Karlya
Executive Director
Books and Rattles Preschool



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State Comptroller's Comments

1. Books and Rattles officials are mistaken. Our report does not state: "Books and Rattles *did not* report 46,684 for eight individuals." Conversely, our report states that Books and Rattles *did* report \$46,684 for eight individuals who were not employees of Books and Rattles.
2. We revised our report to delete the reference that the eight individuals worked for Books and Rattles when they were short on teachers.
3. We disagree. The eight people in question were not employees of Books and Rattles; rather, they were employees of a private day care program (Green Educational Services, LLC) operated by Books and Rattles' Executive Director. The eight employees were on the payroll of Green Educational Services. Also, we question Book and Rattles' assertion that the eight employees were "erroneously paid through Green Educational Services." If the staff in question were actually employed by Books and Rattles, why weren't they on the payroll of Books and Rattles?
4. As stated on page 6 of our report, personal service costs include taxable and non-taxable salaries and fringe benefits paid to employees on the agency's payroll. However, the eight employees in question were not listed on Books and Rattles' payroll register. As noted previously, they were on the payroll of Green Education Services, LLC. Further, even if some of the costs of these staff were eligible for reimbursement, they should not have been claimed as personal service costs. Nevertheless, Books and Rattles lacked sufficient documentation to support the amounts of such costs.
5. We maintain that the personal service costs claimed for the period the five individuals were employed by Green Educational Services, LLC are not eligible for reimbursement.
6. We stand by our findings. Because Books and Rattles officials did not maintain the required supporting documentation, we could not confirm that the staff in question actually served the SED cost-based programs for specific dates and times and corroborate the related amounts of costs claimed. Further, Books and Rattles' Executive Director operated private day care programs (funded from other sources) in the same locations as the SED cost-based programs.
7. We reduced the amounts of the recommended disallowances for OTPS costs in our report based on the additional documentation provided by Books and Rattles officials.