**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
## The Network for Children's Speech, Occupational & Physical Therapy, LLC

Report 2017-S-79 July 2018

# Executive Summary

## Purpose

To determine whether the costs reported by The Network for Children's Speech, Occupational & Physical Therapy, LLC (CTN) on its Consolidated Fiscal Reports (CFR) were properly calculated, adequately documented, and allowable under the State Education Department's (SED) guidelines, including the Reimbursable Cost Manual (RCM). The audit covered the expenses reported on CTN's CFR for the fiscal year ended June 30, 2015 and certain expenses reported on its CFRs for the two fiscal years ended June 30, 2014.

## Background

CTN is an SED-approved, for-profit special education provider located in Onondaga County, New York. CTN provides preschool special education services to children with disabilities who are between three and five years of age. CTN is reimbursed for preschool special education services through rates set by SED. The reimbursement rates are based on financial information, including costs, that CTN reports to SED on its annual CFR. To be eligible for reimbursement, reported costs must comply with RCM requirements. For the three fiscal years ended June 30, 2015, CTN reported approximately $2.5 million in reimbursable costs on its CFRs for the one rate-based preschool special education program (Program) that it operated.

## Key Findings

For the three fiscal years ended June 30, 2015, we identified $707,677 in ineligible costs that CTN reported on its CFRs for the Program. The ineligible costs included:

- $668,259 in personal service costs, consisting of $511,672 in overstated personal service costs for special education itinerant teachers (SEIT), $93,445 in unsupported personal service costs for office workers, $63,039 in excessive compensation to a SEIT teacher who had an ownership interest in CTN, and $103 in improper bonus payments; and
- $39,418 in other than personal service costs, which consisted of $13,574 in insufficiently documented expenses, $13,491 in related-party lease expenses that exceeded the owner's actual cost, $10,067 in overallocated expenses due to inappropriate allocation methods, and $2,286 in other ineligible expenses.

Additionally, we determined CTN did not disclose related-party transactions with Vector Management Solutions, Inc. on its CFR, as required.

## Key Recommendations

**To SED:**

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

**To CTN:**

- Ensure that costs reported on annual CFRs fully comply with SED's requirements, and communicate with SED to obtain clarification as needed.
- Ensure related-party transactions are properly disclosed on the CFR in accordance with SED's requirements.

## Other Related Audit/Report of Interest

Hawthorne Foundation, Inc.: Compliance With the Reimbursable Cost Manual (2017-S-3)

# State of New York
# Office of the State Comptroller

## Division of State Government Accountability

July 3, 2018

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

Mr. Erick Schwartz
Managing Member
The Network for Children's Speech,
Occupational & Physical Therapy, LLC
171 Intrepid Lane
Syracuse, NY 13205

Dear Ms. Elia and Mr. Schwartz:

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

Following is a report of our audit of the expenses submitted by The Network for Children's Speech, Occupational & Physical Therapy, LLC to the State Education Department for the purpose of establishing the preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments, 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; 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 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 Network for Children's Speech, Occupational & Physical Therapy, LLC (CTN) is a for-profit organization located in Onondaga County, New York. CTN is authorized by the State Education Department (SED) to provide, among other programs, preschool special education services to children with disabilities who are between three and five years of age. During our audit period, CTN operated one rate-based preschool special education program: Preschool Special Education Itinerant Teacher (SEIT) services (referred to as the Program). The Program served 208 children with special education needs from Madison, Oneida, Onondaga, and Oswego counties.

The counties that use CTN's preschool special education services pay tuition to CTN using reimbursement rates set by SED. The State, in turn, reimburses the counties 59.5 percent of the tuition that the counties pay. SED sets the special education tuition rates based on financial information, including costs, reported by CTN on the annual Consolidated Fiscal Report (CFR) that it submits to SED. Costs reported on the CFR must comply fully with the guidelines in SED's Reimbursable Cost Manual (RCM) regarding the eligibility of costs and documentation requirements, and must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the three fiscal years ended June 30, 2015, CTN reported approximately $2.5 million in reimbursable costs for the Program on its CFRs.

# Audit Findings and Recommendations

According to the RCM, costs reported on the CFR are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and adequately documented. For the three fiscal years ended June 30, 2015, we identified $707,677 in costs that CTN reported on its CFRs that did not comply with the RCM's requirements for reimbursement. The ineligible costs included $668,259 in personal service costs and $39,418 in other than personal service (OTPS) costs. Additionally, we determined CTN did not disclose related-party transactions with Vector Management Solutions, Inc. (Vector) on its CFR, as required. We also identified $254 in reimbursable franchise tax expenses that SED disallowed during its desk review of CTN's costs, prior to our on-site review.

## Personal Service Costs

For the three fiscal years ended June 30, 2015, we identified $668,259 in personal service costs that CTN reported on its CFRs that were not allowable under SED's requirements.

### *Inflated Special Education Itinerant Teacher Costs*

According to the RCM, costs must be reasonable and sufficiently documented. We reviewed CTN's billing documentation, and determined the SEIT personal service costs reported on the CFRs were significantly higher than the amount teachers were actually paid. Teachers were paid based on actual services provided, but the CFR expense was incorrectly calculated and reported based on the number of SEIT sessions that were scheduled (only about 73 percent of the scheduled SEIT sessions actually took place). As a result, CTN reported $511,672 in excess personal service costs for its SEIT teachers ($465,293 in salary and $46,379 in associated fringe benefits) for the three years ended June 30, 2015.

### *Unsupported Time Records*

According to the RCM, compensation costs must be supported by employee time records prepared during the time period for which the employee was paid. We reviewed CTN's time records for office-based staff. We determined that the time records for nine employees were insufficient, as they did not fully support hours worked (specifically, certain time records did not exist). As a result, CTN reported $93,445 in unsupported personal service costs ($70,469 in salary and $22,976 in associated fringe benefits) for the three years ended June 30, 2015.

### *Ineligible Distribution of Earnings*

According to the RCM, compensation to all individuals who have a financial interest in the program and who are also program employees must be commensurate with actual services provided as appropriately qualified program employees, and shall not include any distribution of earnings in excess of reimbursable compensation. Furthermore, compensation shall not exceed the average regional levels paid by similar private providers to comparably qualified and appropriately certified personnel for similar work and hours of employment. Any compensation determined to be excessive will not be reimbursed in the tuition rate. We identified $63,039 in excessive compensation ($57,337 in salary and $5,702 in associated fringe benefits) that CTN reported on its CFRs for the three years ended June 30, 2015. These payments were made to a SEIT teacher who had an ownership interest in CTN. This SEIT teacher received a higher rate of pay than all of the other employees who were performing the same job function, despite having no additional responsibilities. CTN explained that this SEIT teacher was paid at a higher rate because of his ownership interest. Therefore, we concluded the enhanced pay was not commensurate with actual services provided, and more closely represented a distribution of earnings, which is not reimbursable.

### *Ineligible Bonus Payments*

According to the RCM, bonus compensation is a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment in excess of regularly scheduled salary, which is not directly related to hours worked. To be reimbursable, bonus compensation must be based on merit, as measured and supported by employee performance evaluations. We identified $103 in non-reimbursable bonus payments ($85 in salary and $18 in associated fringe benefits) that CTN reported on its CFR for the year ended June 30, 2015. CTN management explained that this payment was compensation to an employee for taking on additional short-term duties. However, CTN was not able to show the additional duties the employee performed to justify the extra payment, nor was this payment supported by a performance evaluation. Consequently, this expense is not eligibile for reimbursement.

## Other Than Personal Service Costs

For the fiscal year ended June 30, 2015, we identified $39,418 in OTPS costs that CTN reported on its CFR that were not allowable under SED's requirements.

### *Insufficiently Documented Costs*

According to the RCM, costs must be sufficiently documented. Vehicle use must also be documented with individual vehicle logs that include at a minimum: the date, time of travel, to and from destination, mileage between each, purpose of travel, and name of traveler. Additionally, all payments to consultants must be supported by 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. Finally, costs associated with retainers for legal, accounting, or consulting services are not reimbursable unless the fee represents payment for actual documented services rendered. We identified $13,574 in costs reported by CTN on its CFR that were ineligible for reimbursement because they were not sufficiently documented. The ineligible costs included:

- $4,649 in vehicle costs for which sufficient vehicle logs were not maintained;
- $4,175 in credit card transactions that were not supported by invoices;
- $2,375 in accounting fees that were not appropriately itemized as required; and
- $2,375 in retainer fees for human resources costs.

SED previously identified a portion of these costs as ineligible for reimbursement.

### *Related-Party Lease*

According to the RCM, costs incurred in less-than-arm's-length lease of real property transactions shall be reimbursed based on the lesser of the owner's actual cost or the fair market value. CTN leased its Syracuse office from Eastside Westside Properties, Inc., a related party owned by CTN's majority owners. CTN properly disclosed this relationship on its CFR. However, we identified $13,491 in costs reported by CTN on its CFR that were in excess of the owner's actual cost, which is not reimbursable.

### *Allocations*

According to the RCM, allocation methods must be fair and reasonable, and property costs should be allocated to the SEIT program based on square footage. SED's CFR Manual recommends using square footage for other expenses too, such as repairs and maintenance and utilities. We determined that the allocation methodologies CTN used for several categories of expenses were not fair and reasonable, with some expenses inappropriately allocated based on program revenue and other expenses fully charged to administration that were not strictly administrative in nature. Recalculating CTN's costs based on square footage methodology, we identified costs totaling $10,067 that were overallocated to the Program:

- $5,065 in supplies and materials;
- $2,343 in rent and real estate taxes;
- $1,314 in telephone expenses;
- $771 in utilities; and
- $574 in repairs and maintenance.

### *Other Ineligible Costs*

According to the RCM, costs must be reasonable, necessary, and directly related to the special education program. Also, costs associated with entertainment of officers or employees, charitable contributions, food for staff, and working capital interest in excess of the prime rate plus 1 percent are not reimbursable. We identified $2,286 in costs that were ineligible for reimbursement because they were not in compliance with these RCM requirements. The ineligible costs consisted of:

- $908 in entertainment for staff;
- $781 in charitable contributions and donations;
- $386 in food and beverages;
- $92 in non-Program-related costs;
- $73 in working capital interest above the prime rate plus 1 percent; and
- $46 in unreasonable late fees.

SED previously identified a portion of these costs as ineligible for reimbursement.

## Other Matters

### *Related Party*

According to the CFR Manual, related-party transactions must be reported on the CFR-5 schedule. Vector employed the office staff who worked at CTN. CTN and Vector consolidated their financial statements for the year ended June 30, 2015. However, CTN did not disclose this relationship as a related party on its CFR, as required.

### *Prior SED Adjustment for Franchise Tax*

According to the RCM, payment of income tax is not reimbursable. However, payment of minimum New York State Corporation Franchise tax is reimbursable. For the fiscal year ended June 30, 2015, CTN reported $254 in franchise tax. Based on the information available during its desk review of CTN's CFR, SED determined that the payment was income tax instead of franchise tax, and therefore disallowed the total franchise tax expense. We reviewed CTN's supporting documentation, and concluded the expense was actually franchise tax and therefore reimbursable.

## Recommendations

**To SED**:

1. Review the disallowances identified by our audit and, if warranted, make the necessary adjustments to the costs reported on CTN's CFRs and to CTN's tuition reimbursement rates.

2. Remind CTN officials of the pertinent SED requirements that relate to the deficiencies we identified.

**To CTN:**

3. Ensure that costs reported on annual CFRs fully comply with SED's requirements, and communicate with SED to obtain clarification as needed.

4. Ensure related-party transactions are properly disclosed on the CFR in accordance with SED's requirements.

# Audit Scope, Objective, and Methodology

We audited the costs that CTN reported on its CFR for the fiscal year ended June 30, 2015 and certain costs reported on its CFRs for the two fiscal years ended June 30, 2014. The objective of our audit was to determine whether the reported costs were allowable, properly calculated, and adequately documented in accordance with applicable SED requirements.

To accomplish our objective, we reviewed the RCMs that applied to the years we examined as well as the CFR Manuals and related appendices. We also evaluated the internal controls over the costs claimed on, and the schedules prepared in support of, the CFRs submitted to SED. We interviewed CTN personnel to obtain an understanding of the practices for reporting costs on the CFR. We reviewed CTN's CFRs for the three fiscal years ended June 30, 2015 and relevant financial records for the audit period. We obtained accounting records and supporting information to assess whether certain costs claimed by CTN on the CFRs that were considered high risk and reimbursable in limited circumstances (such as salaries, leases, and credit card transactions) were allowable, properly calculated, and documented.

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

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. 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 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 State Education Law.

# Reporting Requirements

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

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of Education shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and if the recommendations were not implemented, the reasons why.

# Contributors to This Report

**Andrea Inman**, Audit Director
**Ed Durocher**, CIA, Audit Manager
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# Division of State Government Accountability

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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

## The Network for Children's Speech, Occupational & Physical Therapy, LLC
## Schedule of Submitted and Disallowed Program Costs
## For the Three Fiscal Years Ended June 30, 2015

| Program Costs | Amount per CFR | Amount Disallowed* | Amount Remaining | Notes to Exhibit |
|---|---|---|---|---|
| Personal Service | $2,184,030 | $668,259 | $1,515,771 | A-C, K |
| Other Than Personal Service | 331,054 | 39,418 | 291,636 | A, D-J, L-O |
| **Total Program Costs** | **$2,515,084** | **$707,677** | **$1,807,407** | |

*Our report also included $254 in potentially reimbursable franchise tax initially disallowed during SED's review of CTN's CFR costs for the fiscal year ended June 30, 2015.

# Notes to Exhibit

The following Notes refer to specific sections of SED's RCM and the CFR Manual that we used as a basis for 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 CTN officials during the course of the audit.

A. RCM Section II: Costs are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and sufficiently documented.
B. RCM Section II.13.A.(5): Compensation to all individuals who have a financial interest in the program, including shareholders, trustees, board members, officers, family members, or others, and who are also program employees must be commensurate to actual services provided as appropriately qualified program employees or consultants and shall not include any distribution of earnings in excess of reimbursable compensation. Compensation shall not exceed the average regional levels paid by similar private providers to comparably qualified and appropriately certified personnel for similar work and hours of employment. Any compensation determined to be excessive will not be reimbursed in the tuition rate.
C. RCM Section II.13.A.(10): Merit awards (or bonus compensation) shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment in excess of regularly scheduled salary which is not directly related to hours worked. A merit award may be reimbursed if it is based on merit as measured and supported by employee performance evaluations.
D. RCM Section II.14.B: Costs associated with retainers for legal, accounting, or consulting services are not reimbursable unless the fee represents payment for actual documented reimbursable services rendered.
E. RCM Section II.16: Charitable contributions and donations made by the program are not reimbursable.
F. RCM Section II.20.A: Costs incurred for entertainment of officers or employees, or for activities not related to the program, or any related items such as meals, transportation, and gratuities, are not reimbursable.
G. RCM Section II.22.C: Costs of food provided to staff are not reimbursable.
H. RCM Section II.28.A: Arm's-length interest expense on working capital is reimbursable provided the interest rate is not in excess of the prime rate plus 1 percent of the lending institution at the time the loan was made.
I. RCM Section II.41.B.(4): Costs incurred in less-than-arm's-length lease of real property transactions shall be reimbursed based on owner's actual cost or fair market value, whichever is less.
J. RCM Section II.48.A.(3): Allocation of property costs to SEIT should be based on square footage.
K. RCM Section III.1.A: Compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid.
L. RCM Section III.1.C.(2): All payments must be supported by 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.

M. RCM Section III.1.J.(2): Vehicle use must be documented with individual vehicle logs that include at a minimum: the date, time of travel, to and from destinations, mileage between each, purpose of travel, and the name of traveler.

N. RCM Section III.1.M.(2): Entities operating programs must use allocation methods that are fair and reasonable.

O. CFR Manual Appendix I – Agency Administration, Section 42.0: If you are unable to direct charge expenses to agency administration or program/site(s) and program administration, the following are examples of recommended allocation methods: Repairs and Maintenance and Janitorial and Housekeeping Staff – Square Footage; Utilities – Square Footage.

# 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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June 29, 2018

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

Dear Ms. Inman:

The following is the New York State Education Department's (SED) response to the draft audit report, 2017-S-79, Compliance with the Reimbursable Cost Manual: The Network for Children's Speech, Occupational & Physical Therapy, LLC (CTN).

Recommendation 1: Review the disallowances identified by our audit and, if warranted, make the necessary adjustments to the costs reported on CTN's CFRs and to CTN's tuition reimbursement rates.

We agree with this recommendation. SED will review the recommended disallowances as noted in the report and make adjustments to the reported costs to recover any overpayments, as appropriate, by recalculating tuition rates.

Recommendation 2: Remind CTN officials of the pertinent SED requirements that relate to the deficiencies we identified.

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend the CTN officials take advantage of our availability to help them better understand the standards for reimbursement as presented in Regulation and the Reimbursable Cost Manual (RCM). Furthermore, CFR training is available online on SED's webpage. SED recommends that all individuals signing the CFR certification statements, namely Executive Directors and Certified Public Accountants, complete this training. This training is a requirement for preschool special education providers upon approval and reapproval.

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

Yours truly,

Sharon Cates-Williams

Sharon Cates-Williams
Deputy Commissioner

c: Thalia Melendez
Christopher Suriano
Hal Matott
Suzanne Bolling

# Agency Comments - The Network for Children's Speech, Occupational & Physical Therapy, LLC

CHILDREN'S THERAPY NETWORK
**Syracuse Office** 171 Intrepid Lane, Syracuse, NY, 13205 - (315) 437-4689 ■ **Utica Office** 130 Lomond Court, Utica, NY, 13502 - (315) 724-4286 ■ **Vestal Office** 4104 Vestal Road, Ste 101, Vestal, NY, 13850 - (607) 235-3980

June 4, 2018

Mr. Thomas P. DiNapoli, Comptroller
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236-0001

Dear Comptroller DiNapoli,

Children's Therapy Network is owned and operated by providers and has been serving the needs of children of all abilities in many communities in New York State for nearly 22 years. The infrastructure has evolved over those years and includes Certified Public Accountants who are licensed in their field to provide the audit and financial reporting. We very much appreciate this opportunity to have had our financials, systems and processes reviewed. Below we have delineated our explanation for the noted shortcomings and our plans to rectify and refine our financial reporting for the future.

Personal Service Costs

Inflated Special Education Itinerant Teacher Costs

All payroll reports were available for our CPA's utilization at the time of preparation of the CFRs reviewed during this audit. His choice of utilizing a shortcut to calculate and report our payroll on the CFRs is both puzzling and distressing given his professional obligation to utilize generally accepted accounting practices. At this point, we can only identify his shortcomings and, note for the reader, that we are now utilizing a different CPA and will greatly enhance our scrutiny of their work.

Unsupported Time Records

The inability to physically produce all signed timesheets for office employees during the period that was audited is both an unfortunate and unnecessary error on our part. We have reconfigured our record keeping to be more reliable and consistent so that all of the work by office staff supporting our programming can be recognized moving forward.

Ineligible Distribution of Earnings

We agree, that pursuant to his employee contract, that a B-Share owner teacher received compensation higher than the average regional levels paid to similar private providers. The error, we believe, was that this rate should have been adjusted for cost claiming purposes and that the accountant preparing the CFR neglected to recognize the negative and erroneous impact of reporting the enhanced pay.

Ineligible Bonus Payments

We acknowledge that a small, one time bonus was given to a then, and current, valued office staff member for absorbing additional duties for a short period of time while there was a staff transition. We did not document this event and we will, in the future, be mindful to put in writing any event that deviates from usual practice.

Other Than Personal Service Costs

Insufficiently Documented Costs

We have noted the specifics for these disallowances and have improved our record keeping and expectations for our consultants to provide enhanced itemization on all invoices.

Related-Party Lease

The contracted actual lease amount for the Syracuse Office location was based on fair market value and not the owner's actual cost at the recommendation of legal counsel. The accountant did not adjust costs on the CFR to reflect the lesser of the two numbers as per the RCM. In future submissions, we will oversee to make certain that this appropriate adjustment is made.

Allocations

We appreciate the explanation of the appropriate manner to allocate costs and will make certain that the methodology utilized in the future is reprised.

Other Ineligible Costs

We acknowledge these costs and the explanation of their ineligibility. We will make certain that these guidelines are adhered to in the exclusion of similar expenses moving forward.

Other Matters

Related Party

We acknowledge that on CFR-5 that the related party of Vector Management Solutions, LLC was not specifically written. The full combined financial report for The Network for Children's Speech, Occupational and Physical Therapy, PLLC and Vector Management Solutions, however, were included with the submission of the CFR to disclose the financial relationship. We will make certain that CFR-5 includes this information, as well, on future submissions.

Prior SED Adjustment for Franchise Tax

We appreciate the explanation for the adjustment.

We are grateful to have had the opportunity to work with a wonderful team of auditors and appreciate their patience and expertise throughout the process. We are always eager for feedback so that we can continually strive to enhance our agency.

Sincerely,

Erick Schwartz, PT
Managing Member