

H. CARL McCALL  
STATE COMPTROLLER



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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

September 18, 2000

Mr. Carl T. Hayden  
Chancellor  
The University of the State of New York  
Education Building  
Albany, New York 12234

Ms. Antonia C. Novella, M.D., M.P.H., Dr. P. H.  
Commissioner  
New York State Department of Health  
Corning Tower  
Empire State Plaza  
Albany, New York 12237

Re: Report 2000-F-22

Dear Chancellor Hayden and Commissioner Novella:

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, we have reviewed the actions taken by officials of the State Education Department (SED) and State Department of Health (DOH), as of September 7, 2000, to address the recommendations contained in our report: *Putnam County Transportation Aid* (Report 97-S-69). Our report, which we issued on October 5, 1998, examined State aid payments to Putnam County (County) for transportation costs incurred for the Preschool Handicapped Education and Early Intervention programs for the period July 1, 1992 through June 30, 1996. The audit also included a determination of allowable transportation costs for the school year ended June 30, 1997.

**Background**

The Preschool Handicapped Education Program (Preschool program) was established to provide special education services to three and four-year-old children with handicapping conditions. Each school district is responsible for the evaluation and placement of preschool children with handicapping conditions. However, it is the responsibility of the officials of a child's county of residence to contract with approved Preschool program providers selected by the child's local board of education, and to provide, directly or by contract, for each child's transportation to and from the program. SED is responsible for administering the Preschool program and reimburses the counties for about 60 percent of program costs, including transportation.

The Early Intervention Program (EIP) is part of a Federal initiative to develop a statewide, family-centered system of early intervention services for infants and toddlers up to three years of age who either have a developmental delay or have a diagnosed physical or mental condition with a high probability of becoming a developmental delay. The section of the Public Health Law that established the EIP as a full-entitlement program was passed in 1992, and DOH took over day-to-day administration of the EIP on July 1, 1993. (Prior to this date, SED was responsible for the predecessor program for children under three years of age with disabilities.) DOH reimburses localities 50 percent of EIP costs, including transportation.

Putnam County owns its buses and garage facilities, but contracts with a private firm for bus operation and maintenance. The buses are used for public transportation and for various programs including the Preschool program, the EIP, and other social service programs. Through a statewide audit of transportation associated with the Preschool program, we determined that Putnam County had the highest cost per child (\$12,528) of all the counties in the State for the 1994-95 school year. Further, Putnam County's per child costs were more than double those of nearby Nassau and Rockland counties. We therefore decided to audit the State aid claims submitted by Putnam County for costs incurred to transport students for both the Preschool program and the closely related EIP program.

### **Summary Conclusions**

In our prior audit report, we concluded that Putnam County reported \$1,386,634 more in transportation costs than it should have for the Preschool program and the EIP for the period July 1, 1992 through June 30, 1996. As a result of this overstatement, State transportation aid for the Preschool program was overpaid by \$774,079. In addition, transportation aid for the EIP was overpaid by \$42,057 (\$25,637 by DOH and \$16,420 by SED). The audit also determined that SED and DOH should limit Putnam County's reimbursement for the 1996-97 school year for the Preschool program and the EIP to \$950,966 in combined allowable transportation costs.

In our follow-up review, we found that SED and DOH had made significant progress toward implementing our recommendations from the original report. Specifically, SED had recovered all of the overpayments (totaling \$790,499) it made to Putnam County for the Preschool program and EIP for the years in question. In addition, at the time of our follow-up review, DOH officials were in the process of recovering the overpayments made to the County under the EIP. We also determined that SED and DOH officials had limited the County's total allowable Preschool program and EIP transportation costs to \$32,177 less than the amount determined by our audit for the 1996-97 year.

### **Summary of Status of Prior Audit Recommendations**

The prior audit report contained four recommendations. One recommendation was made solely to SED and another solely to DOH. The remaining two recommendations were addressed to both SED and DOH. The recommendation made solely to SED was implemented and the

recommendation made solely to DOH was partially implemented. One of the recommendations made jointly to SED and DOH was implemented and the other was not implemented.

### **Follow-up Observations**

#### **Recommendation 1 (to SED)**

*As described in this report, recover or offset the \$774,079 in aid overpayments for the Preschool program for the school years 1992-93 through 1995-96. Recover \$16,420 in aid overpayments for the Early Intervention program for school year 1992-93.*

Status - Implemented

Agency Action - SED's Fiscal Management unit recovered the full amount of the overpayments for the Preschool program through a series of voucher adjustments that resulted in reductions to aid payments made to Putnam County.

#### **Recommendation 2 (to DOH)**

*Recover or offset the \$25,637 in aid overpayments to Putnam County for school years 1993-94 through 1995-96.*

Status - Partially Implemented

Agency Action - DOH officials indicated that DOH had not yet recovered the \$25,637 in overpayments to Putnam County at the time of our follow-up review. However, in May 2000, DOH officials initiated the recovery process by sending letters to the State Early Intervention Coordinating Council and the Putnam County Early Intervention Coordinating Council, as required by the Public Health Law, to provide formal notice of DOH's intention to recover the aid overpayments in question. Officials added that DOH would recover the overpayments by off-setting them against subsequent EIP aid payments to Putnam County.

#### **Recommendation 3 (to SED and DOH)**

*Work with Putnam County officials in their continuing efforts to develop a system to accurately accumulate, allocate, and report transportation costs for the Preschool Handicapped Education and Early Intervention Programs.*

Status - Not implemented

Agency Action - With regard to the Preschool program, SED officials indicated that they planned to implement this recommendation through the hiring of several new associate accountants. Officials added that the new professional staff would develop formal technical guidance (a

reimbursable cost manual) for all counties to follow in administering their transportation programs, including the preparation of cost reports and aid claims. However, new staff were not hired until recently. With respect to the EIP, DOH officials conducted a formal review of the County's EIP in December 1998 and issued a report to the County in February 1999. However, DOH's review dealt mostly with program issues. The fiscal matters addressed by the review did not relate directly to County officials' efforts to develop a system to accurately accumulate, allocate, and report transportation costs for the EIP.

**Recommendation 4 (to SED and DOH)**

*Limit Putnam County's school year 1996-97 reimbursement for the Preschool program and EIP to \$950,966 in combined allowable transportation costs.*

Status - Implemented

Agency Action - According to SED records at the time of our follow-up review, Putnam County reported allowable transportation costs of \$817,052 for the Preschool program for the 1996-97 school year. The County also had reported allowable transportation costs of \$101,737 to DOH for the EIP for the 1996-97 year, at the time of our follow-up review. Thus, the combined allowable transportation costs reported by the County for the Preschool program and the EIP for the 1996-97 year totaled \$918,789, which is \$32,177 less than the maximum amount that the County could have reported as determined by our original audit. SED officials had previously advised us that additional information, developed subsequent to our audit, could result in adjustments to the amount cited in our recommendation.

The major contributor to this report was Brian Mason.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address unresolved matters discussed in this report. We also thank the management and staff at SED and DOH for the courtesies and cooperation they extended to us during this review.

Very truly yours,

Jerry Barber  
Audit Director

cc: Charles Conaway