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

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Division of State Government Accountability

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# **Compliance With the Reimbursable Cost Manual**

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## **State Education Department Starting Point Services for Children**

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Report 2014-S-64

December 2015

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# Executive Summary

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## Purpose

To determine whether the costs reported by Starting Point Services for Children (Starting Point) on its Consolidated Fiscal Reports (CFRs) were properly documented, program related, and allowable pursuant to the State Education Department's (SED) Reimbursable Cost Manual (Manual). The audit included all expenses claimed on Starting Point's CFR for the fiscal year ended June 30, 2013, and certain expenses claimed on Starting Point's CFRs for the two fiscal years ended June 30, 2012.

## Background

Starting Point is a Brooklyn, New York-based not-for-profit organization that is authorized by SED to operate, among other SED-approved programs, the Preschool Special Education Itinerant Teacher (SEIT) and Special Class Integrated Setting (SCIS) programs to disabled children between the ages of three and five years. During the 2012-13 school year, Starting Point served 942 students. The New York City Department of Education (DoE) refers students to Starting Point based on clinical evaluations and pays for their services using rates established by SED. The rates are based on the financial information that Starting Point reports to SED on its annual CFRs. SED reimburses DoE for a portion of its payments to Starting Point based on statutory rates. For the fiscal year ended June 30, 2013, Starting Point reported approximately \$16.4 million in reimbursable costs for the audited programs. Our audit scope period focused primarily on fiscal year 2012-13. However, we expanded our review to include certain items claimed on the CFRs for fiscal years 2010-11 and 2011-12.

## Key Findings

For the three fiscal years ended June 30, 2013, we identified \$2,585,454 in reported costs that did not comply with Manual requirements and recommend such costs be disallowed. These ineligible costs included \$2,228,711 in personal service costs and \$356,743 in other than personal service costs. Among the disallowances we identified were:

- \$1,981,802 in non-reimbursable shared staff compensation costs. This included \$1,502,245 in ineligible salaries and \$479,557 in related fringe benefits because Starting Point overstated the number of SEIT hours allocable to the programs we reviewed by 34,810 hours;
- \$310,136 in inadequately documented consulting costs. The consultant's invoices did not indicate the specific services provided and the hourly fee charged, as otherwise required by the Manual;
- \$173,539 in unsupported bonuses to staff. This bonus compensation (for 33 employees) was not supported by performance evaluations, as required by the Manual;
- \$70,078 in non-program (for Related Services) costs; and
- \$49,899 in misclassified costs, food costs, and other ineligible costs.

## Key Recommendations

### To SED:

- Review the recommended disallowances resulting from our audit and make the appropriate adjustments to Starting Point's CFRs and reimbursement rates.
- Work with Starting Point officials to help ensure their compliance with Manual provisions.

### To Starting Point:

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

## Other Related Audits/Reports of Interest

[Bilingual SEIT and Preschool, Inc.: Compliance with the Reimbursable Cost Manual \(2011-S-13\)](#)

[IncludED Educational Services, Inc.: Compliance with the Reimbursable Cost Manual \(2010-S-59\)](#)

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

**Division of State Government Accountability**

December 11, 2015

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

Mr. Neil Maron, Ph.D.  
Executive Director  
Starting Point Services for Children  
1575 McDonald Avenue  
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Dear Ms. Elia and Dr. Maron:

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 expenses submitted by Starting Point Services for Children to the State Education Department for the purposes of establishing the tuition reimbursement rates entitled *Compliance With the Reimbursable Cost Manual*. 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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This report is also available on our website at: [www.osc.state.ny.us](http://www.osc.state.ny.us)

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## Background

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Starting Point Services for Children (Starting Point) is a not-for-profit organization that is authorized by the State Education Department (SED) to provide, among other programs, Preschool Special Education Itinerant Teacher (SEIT) and Special Class Integrated Setting (SCIS) programs to disabled preschool children ages three through five years. For the purposes of this report, these programs are collectively referred to as the SED Programs. Based in Brooklyn, New York, Starting Point provides these SED Programs to children throughout the five boroughs of New York City. During the 2012-13 school year, Starting Point served 942 students.

The New York City Department of Education (DoE) refers students to Starting Point based on clinical evaluations and pays for Starting Point's services using rates established by SED. The rates are based on the financial information that Starting Point reports to SED on its annual Consolidated Fiscal Reports (CFRs). To qualify for reimbursement, Starting Point's 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 properly documented. The State reimburses DoE 59.5 percent of the statutory rate it pays to Starting Point.

Chapter 545 of the Laws of 2013 mandates the State Comptroller to audit the expenses reported to SED by special education service providers for preschool children with disabilities. For the fiscal year ended June 30, 2013, Starting Point reported approximately \$16.4 million in reimbursable costs for its SED Programs. Our audit scope period focused on fiscal year 2012-13, however, we expanded our review to include certain items claimed on the CFRs for fiscal years 2010-11 and 2011-12.

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## Audit Findings and Recommendations

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For the three fiscal years ended June 30, 2013, we identified \$2,585,454 in reported costs that did not comply with the Manual's requirements for reimbursement. The ineligible costs included \$2,228,711 in personal service costs and \$356,743 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 the applicable provisions of the Manual. We identified \$2,228,711 in personal service costs that did not comply with the Manual's guidelines for reimbursement.

#### *Shared Staff*

According to the Manual, salaries of employees who perform tasks for more than one program must be allocated among all programs for which they work based on their actual work effort or other allocation methods that are fair and reasonable. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies. Part 200, Section 200.9 of the Commissioner's Regulations (Regulations) states that billable time for SEIT includes time spent providing direct and/or indirect SEIT services in accordance with the requirements mandated in a student's individualized education program (IEP). Direct services are associated with the provision of instruction to students with disabilities. Indirect services are defined as consultations provided by a certified special education teacher to assist the child's general education teacher.

Further, according to the Regulations, billable time shall not be less than 66 percent or more than 72 percent of any SEIT teacher's total employment hours. Moreover, the difference between the total hours in a SEIT standard week and the hours of direct and/or indirect SEIT hours must be spent on required functions. Such functions include preparation for and attendance at committee on preschool special education meetings, conferencing with the student's parents, classroom observations, and/or travel for such functions.

For the three fiscal years ended 2012-13, Starting Point claimed \$8,936,457 in salaries and fringe benefits for 48 employees who worked for both the SEIT and the Related Services (RS) programs. Starting Point claimed that those shared employees worked a total of 108,777 hours for the SEIT program: 39,378 hours providing direct SEIT services and 69,399 hours providing other required SEIT services. However, Starting Point could not provide documentation to show that the 69,399 hours charged to the SEIT program were, in fact, attributable to the provision of SEIT services. Starting Point officials told us that 100 percent of the non-direct hours were charged to the SEIT program. This practice is not in compliance with the Manual's guidance.

According to the documentation officials provided to us, Starting Point billed 48,819 in mandated hours in accordance with students' IEPs. To determine the maximum allowable SEIT hours Starting Point should have claimed, we divided the 48,819 mandated hours by 66 percent. This resulted in 73,967 maximum allowable SEIT hours. Therefore, we determined that Starting Point overstated the number of SEIT hours for cost reporting by 34,810 hours (108,777 hours minus 73,967 hours). When we applied the appropriate hourly rates to the excessive 34,810 SEIT hours, we determined that the SEIT program was over-charged a total of \$1,981,802 (including \$1,502,245 in salaries and \$479,557 in related fringe benefits). Consequently, we recommended that SED disallow the \$1,981,802 in over-allocated staff compensation costs.

### *Bonuses*

The Manual defines bonuses as non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payments to employees that are in excess of regularly scheduled salary and not directly related to hours worked. Bonus compensation may be reimbursed if it is based on merit as measured and supported by employee performance evaluations. For the fiscal year ended June 30, 2011, Starting Point claimed \$185,281 (including \$138,064 in salaries and \$47,217 in related fringe benefits) in bonuses for 35 administrative employees who worked for its SEIT program.

However, Starting Point provided documented evaluations for only two of the 35 employees. Consequently, we recommended a disallowance of the \$173,539 (including \$129,314 in salaries and \$44,225 in fringe benefits) in bonus compensation that Starting Point claimed for the remaining 33 employees because the bonuses were not supported by evaluations, as otherwise required by the Manual. School officials could not provide us with any evidence to show that performance evaluations were prepared for these 33 employees.

### *Non-Program Costs*

According to the Manual, expenditures for related services are not reimbursable in the calculation of tuition rates for SEIT services. Thus, all related services costs should be charged to the Related Services program. However, for the three fiscal years ended June 30, 2013, Starting Point inappropriately claimed reimbursement for \$70,078 in salaries and fringe benefits (\$54,044 and \$16,034, respectively) for five Related Services program staff charged to the SEIT program. Based on our examination of accounting records, such as Service Provided by Teacher (SPT) reports, employment contracts, and certifications, as well as our interviews with employees, we found that these employees provided Related Services and not SEIT services.

For example, in fiscal year 2012-13, Starting Point claimed for reimbursement \$13,693 paid to a speech therapist who purportedly spent 267 hours providing SEIT services. However, we reviewed the therapist's SPT reports and determined that he did not provide any SEIT services during the year. Similarly, Starting Point inappropriately claimed for reimbursement \$26,150 paid to another speech therapist for providing 692 hours of services to the SEIT program. However, this therapist's SPT reports showed she spent only four hours providing SEIT services. Starting Point officials told us these were reporting errors. We recommended that SED disallow the \$70,078.

### *Misclassified Costs*

The Manual states agency administration costs must be allocated to all the programs using the ratio-value method. For the three fiscal years ended June 30, 2013, Starting Point officials incorrectly reported \$45,206 of its six administrative staff salaries directly to the SED Programs. The administration staff salaries, which are non-direct care costs, should have been charged on CFR-3 and allocated to all the programs administered by Starting Point. Instead, Starting Point charged the cost on CFR-1, thus overstating the charges to the SED Programs. In response to our inquiry, Starting Point's officials stated a CFR consultant hired by Starting Point misallocated salaries of those administrative employees and charged them to the SEIT program. We recalculated the misclassified amounts and determined that SED Program expenses were overstated on the CFR by \$3,292. Therefore, we recommended that SED disallow the \$3,292.

### **Other Than Personal Service Costs**

According to the Manual, OTPS costs must be reasonable, necessary, program-related, and supported by adequate substantiating documentation. During the two fiscal years (2011-13), Starting Point charged \$3,053,152 in OTPS expenses to the SED Programs. We identified \$356,743 of these expenses that did not comply with SED reimbursement requirements.

### *Unreasonable and Inadequately Documented Consultant Costs*

The Manual states that costs will not be reimbursable on field audit without appropriate written documentation of costs. Adequate documentation includes, but is not limited to, the consultant's resume and a written contract which includes the nature of the services to be provided. Moreover, 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, and the fee per hour; and the total amount charged. In addition, the Manual states that costs of consultant services are not reimbursable if the services could have been performed by an appropriately certified school officer or employee who possesses the necessary technical skills, or by SED staff.

For the three fiscal years ended June 30, 2013, Starting Point retained a consultant to act in the capacity of Chief Financial Officer (CFO) and claimed \$310,136 in reimbursement for payments made to this consultant. During the same period, Starting Point employed a Controller whose total earnings were \$586,310 (\$437,554 in salary, \$138,101 in fringe benefits, and \$10,655 in bonuses). We concluded that the payments to the CFO consultant were not reimbursable as the Controller should have possessed the necessary technical skills for the services that were provided by the consultant. Moreover, the CFO consultant's services were inadequately documented because his invoices did not indicate the specific services provided and the hourly fee charged, as otherwise required by the Manual. Instead, the invoices represented recurring monthly billings of \$10,000 for "services rendered." Thus, we recommended that SED disallow the \$310,136 in consultant costs.

In addition, Schedule CFR-6 (Governing Board and Compensation Summary) requires disclosure of

the entity's five highest-paid independent contractors (consultants) who received compensation in excess of \$50,000. We examined Starting Point's schedule CFR-6 for the three fiscal years ended June 30, 2013, and determined the entity did not disclose the use of this consultant for the two fiscal years ended June 30, 2012. Finally, Starting Point did not issue IRS Form 1099-Misc to this consultant for any of the three fiscal years ended June 30, 2013. Such forms should be issued to a consultant who is paid at least \$600 during the year in which services were provided.

### *Ineligible Costs*

Part 4.23.5.13.1.4 of the Internal Revenue Service (IRS) Manual defines nonqualified deferred compensation (NQDC) plans, designed to provide deferred compensation for a select group of management or highly compensated employees, as Supplemental Executive Retirement Plans (or SERPs). According to SED's Manual, costs associated with SERPs are not reimbursable because the IRS has determined that such plans are discriminatory and nonqualified. SERPs are discriminatory and nonqualified because they provide deferred compensation to a select group of management or highly compensated employees rather than to all employees. (Qualified plans, in contrast, are available to all employees.) Also, Part 4.23.5.7.3.1(B) of the IRS Manual defines 457(b) and 457(f) plans as NQDC plans.

In fiscal year 2013, Starting Point claimed ineligible costs totaling \$24,362 (including payments of \$14,704 to a law firm and \$9,658 to a CPA firm) for professional services related to SERPs. Specifically, these payments were for consulting services to develop 457(b) and 457(f) SERPs that would be offered to a select group of management or highly compensated employees and for tax and estate planning for Starting Point's Executive Director. Because this retirement plan itself is non-reimbursable, the costs claimed for the related professional services are also non-reimbursable. Similarly, costs for tax and estate planning are non-reimbursable. Therefore, we recommended that SED disallow the \$24,362 in costs associated with the development of the SERPs and tax and estate planning.

### *Food Costs*

The Manual states that the cost of food provided to staff is not reimbursable. During the three fiscal years ended June 30, 2013, Starting Point provided meals to staff at a cost of \$22,245. We recommended that SED disallow this amount as it does not meet the Manual's requirements for reimbursement.

## **Recommendations**

### **To SED:**

1. Review the recommended disallowances resulting from our audit and make the appropriate adjustments to Starting Point's CFRs and reimbursement rates as appropriate.
2. Work with Starting Point officials to help ensure their compliance with Manual provisions.

**To Starting Point:**

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

## Audit Scope and Methodology

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We audited the costs reported on Starting Point's CFRs to determine whether they were properly documented, program related, and allowable pursuant to SED's Manual. The audit included all claimed expenses for the fiscal year ended June 30, 2013 and certain expenses claimed on Starting Point's CFRs for the two fiscal years ended June 30, 2012.

To accomplish our objective, we reviewed the Manual and the Consolidated Fiscal Reporting and Claiming Manual, Starting Point's CFRs, and relevant financial records for the audit period. We also interviewed Starting Point 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 appropriate, and reimbursable. Our sample was based on the relative materiality of the various categories of costs reported and their associated levels of risk. Our samples were not designed to be projected to the entire population of reported costs. Also, our review of Starting Point's internal controls focused on the controls over Starting Point's 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 objectives. We believe that the evidence obtained during our audit 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 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

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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.

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## Reporting Requirements

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We provided a draft copy of this report to SED and Starting Point officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of the report. In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. In Starting Point's response, officials accepted some of our conclusions, but disagreed with several proposed disallowances. Our rejoinders to certain comments in Starting Point's 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.

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## Contributors to This Report

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**Stephen Lynch**, Audit Manager  
**Ann Marsh**, Audit Supervisor  
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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

**Starting Point Services for Children  
Summary of Reported, Disallowed, and Allowed Costs  
For the 2010-11, 2011-12, and 2012-13 Fiscal Years**

<b>Program Costs</b>	<b>Amount Per CFR</b>	<b>Amount Disallowed</b>	<b>Amount Allowed</b>	<b>Notes To Exhibit</b>
<b>Personal Services</b>				
<b>Direct</b>	\$ 42,096,539	\$ 2,146,471	\$ 39,950,068	
<b>Agency Administration</b>	3,998,042	82,240	3,915,802	
<b>Total Personal Services</b>	<b>\$ 46,094,581</b>	<b>\$ 2,228,711</b>	<b>\$ 43,865,870</b>	<b>A,C,F,H,I</b>
<b>Other Than Personal Services</b>				
<b>Direct</b>	\$ 1,342,414	\$ 20,319	\$ 1,322,095	
<b>Agency Administration</b>	813,278	336,424	476,854	
<b>Total Other Than Personal Services</b>	<b>\$ 2,155,692</b>	<b>\$ 356,743</b>	<b>\$ 1,798,949</b>	<b>A,B,D,E,G</b>
<b>Total Program Costs</b>	<b>\$ 48,250,273</b>	<b>\$ 2,585,454</b>	<b>\$ 45,664,819</b>	

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## Notes to Exhibit

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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 Starting Point 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.13.C.(1)G - Supplemental Executive Retirement Plans (SERPs) are discriminatory and nonqualified by the IRS; therefore, they are not reimbursable.
- C. Section II.13.A.(10) - Bonus compensation shall mean a non-recurring and non-accumulating (i.e., not included in base salary of subsequent years) lump sum payment(s) in excess of regularly scheduled salary which is not directly related to hours worked. Bonus compensation may be reimbursed if based on merit as measured and supported by employee performance evaluations. Bonus compensation restricted to only administrative staff is not reimbursable.
- D. Section II.14.A. (2) - Costs of consultant services are not reimbursable if the services could have been performed by an appropriately certified school officer or employee who possesses the necessary technical skills or by SED's staff.
- E. Section II.22.C - Costs of food provided to any staff including lunchroom monitors are not reimbursable.
- F. Section II.48.B - Expenditures for related services, as defined in Section 4410(1)(J) of the Education Law and 41 Section 200.1(qq) of the Regulations, are not reimbursable in the calculation of tuition rates for special education itinerant teacher services.
- G. 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, and the fee per hour; and the total amount charged.
- H. Section III.1.M.3 - Agency administration costs shall be allocated to all programs operated by the entity based on the Ratio Value Method of allocation.
- I. Section III.1.M.1(i) - Salaries of employees who perform tasks for more than one program and/or entity must be allocated among all programs and/or entities for which they work.

# 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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September 15, 2015

Mr. Frank Patone  
Audit Director  
Office of the State Comptroller  
Division of State Government Accountability  
110 State Street – 11<sup>th</sup> Floor  
Albany, NY 12236

Dear Mr. Patone:

The following is the New York State Education Department's (Department) response to the draft audit report, 2014-S-64, Compliance with the Reimbursable Cost Manual: Starting Point Services for Children.

**Recommendation 1: 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.**

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 Starting Point officials to help ensure their compliance with Manual provisions.**

We agree with this recommendation. The Department will continue to provide technical assistance whenever requested and will strongly recommend that Starting Point Services for Children 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 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,

A handwritten signature in black ink that reads "S. Cates-Williams". The signature is written in a cursive style with a large initial "S".

Sharon Cates-Williams

c: James P. DeLorenzo  
Suzanne Bolling

# Agency Comments - Starting Point Services for Children



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September 14, 2015

**VIA ELECTRONIC MAIL & U.S. MAIL**

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Division of State Government Accountability  
59 Maiden Lane, 21<sup>st</sup> Floor  
New York, New York 10038

Re: Starting Point Services for Children (SPSC) // Report 2014-S-64  
Compliance with the Reimbursable Cost Manual

Dear Mr. Patone:

We have reviewed the "Draft Report" dated August 2015 and appreciate the opportunity to provide further clarification and comment. We maintain that in certain limited instances, select principles as set out in the New York State Education Department Reimbursable Cost Manual (RCM) against which SPSC has been audited have been misapplied.

Personal Service Costs

Shared Staff

Starting Point concedes that during the three fiscal years ending 6/30/13 there were employees of the agency who worked both in the Related Services and SEIT programs. SPSC has shared with the auditors supporting documentation such as timesheets and SEIT work product for shared staff during the 2012-2013 school year. These materials support the delivery of SEIT sessions and the use of related activity time to further the SEIT program. While Starting Point agrees that the costs for the particular "shared" professionals should be allocated between the two programs (SEIT and Related Services), it is Starting Point's belief that the calculation proposed in the Draft Report dated August 2015 to reallocate salary and fringe benefit costs misapplies the New York State Education Department's (NYSED) guidance with regard to allowable SEIT costs and ignores commonly accepted cost accounting principles.

\*  
Comment  
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As the auditors are aware, NYSED requires that SEIT teachers spend 28-34% of their total paid hours providing related activities (paperwork, preparation, travel, case coordination, etc.) to support the NYSED direction that 66-72% of their hours are to be applied in providing direct/indirect services to a child in fulfillment of the Individualized Education Program (IEP) mandates of their assigned SEIT students. In order to monitor compliance with this requirement the Consolidated Fiscal Report (CFR) required that 4410

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\*See State Comptroller's Comments on Page 38.

Mr. Frank Patone  
 September 14, 2015  
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agencies providing SEIT to report the number of SEIT teacher hours paid, the total of SEIT sessions mandated for enrolled students and the number of SEIT sessions actually provided. Related Services, however, have never been defined by NYSED to specifically include any of the additional “related activities” that are required by NYSED for the SEIT program. This is demonstrated by the fact that there is no requirement to report Related Service sessions actually provided on the CFR. However, as discussed in further detail below, Starting Point’s CFRs did report more staff hours to the related services program than merely the hours spent actually delivering related services in order to capture the time spent in performing related functions - - the same functions contemplated by NYSED in the provision of SEIT services. Starting Point’s CFRs, even in the absence of specific percentage-based guidance from NYSED regarding the amount of time related service providers should be compensated for related activities such as paperwork, did include approximately 20% more time than related service providers spent actually providing related service sessions to students. This was accomplished by charging the Related Services program for the amount of staff time required to deliver each student’s mandate, which always exceeds the sessions actually delivered. By doing this, staff members were appropriately compensated for and the CFR reflected the time needed for paperwork and other such activities in the Related Service program. Therefore, both the SEIT and the Related Service programs reported on the CFR the time associated with related activities such as documentation and travel.

\*  
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It is our understanding that while the Rate Setting Unit (RSU) of NYSED collected data regarding the number of SEIT sessions which were actually delivered to students, that aggregate total for all of an agency’s SEITs and students was being tracked for informational purposes only as RSU considered alternatives to the current enrollment-based tuition reimbursement for SEIT. However, RSU has been attentive to the relationship between paid hours for SEIT teachers and the number of mandated SEIT hours in order to assure that *in the aggregate* programs engaged SEIT teachers for a sufficient number of hours beyond the hours mandated for SEIT to maintain the rate methodology’s required 66-72% productivity and to allow for all required related activities. RSU’s approach of looking at *aggregate* totals to test the relationship between hours paid to SEIT teachers and the number of 30 minute SEIT sessions mandated to all enrolled students is wholly appropriate because the mandated SEIT caseloads and required related activity time for individual teachers and students fluctuates significantly throughout the year as students move on and off the caseloads of salaried staff. Since related activity services are more extensive for children new to the rolls, individual teachers may or may not meet the 66-72% productivity level based on the turnover and types of children they serve. Starting Point’s “shared” staff who provided services in both the SEIT and Related Service programs also had the additional complication of students moving on or off their caseload for each of the specific programs. Therefore, examining information in the aggregate accounts for all possible fluctuations and allows for consideration of all of the year’s data that a snapshot in time or of particular staff members would otherwise distort the larger reality.

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It should be noted that although the auditors' draft report findings focused on the sub-set of shared staff members, Starting Point's CFR's reported the *aggregate* SEIT hours of teachers who worked exclusively in the SEIT program and those staff members shared between the Related Services and SEIT programs. The CFR-reported aggregate number of mandated SEIT hours, when analyzed in relationship to the hours paid for all SEIT teachers (shared and not shared), reflects productivity levels within the required 66-72% band. The following reflects compliance with the required productivity bands:

Fiscal Year	SEIT Teachers Hours Paid	# Mandated 30 Minute SEIT Sessions	# SEIT Hours Mandated	Productivity Percentage
FY11	271472	347547	173774	64%
FY12	230119	322379	161190	70%
FY13	210701	293546	146773	70%

Note: A narrow review of any sub-set of SEIT personnel distorts productivity calculations. For example, SEITs working in Queens might have longer travel times than those working in Manhattan and a SEIT assigned to three students in the same child care location would require less travel time than a SEIT traveling between multiple day care sites, etc. The productivity of the sub-set of shared staff may have differed from the subset of SEIT only teachers, but, as previously detailed in the aggregate, comprised of shared staff and exclusive SEIT staff, the overall productivity for Starting Point's SEIT personnel was still within NYSED's expectations.

As the spreadsheet previously shared with the auditors reflects, mandated services for both SEIT and related services exceed the number of sessions/hours actually delivered. Given that the staff members in question must be available to deliver the entire mandates for SEIT and Related Services which are assigned to them, analysis of the propriety of SPSC's cost allocations must begin with mandated sessions for each service. Furthermore, once the year's SEIT mandate is determined, an additional portion of staff time must be assigned to the SEIT program to assure compliance with the 66-72% productivity band. To conform with NYSED's expectation that the paid hours of SEIT teachers include sufficient time for identified related activities, the calculations on the spreadsheets reflect the number of mandated SEIT hours carried by each "shared" provider multiplied by 1.5125. That analysis resulted in the addition of staff hours to the SEIT program which would assure each shared staff member reflected 66% productive as anticipated by NYSED allowing time for the related activities required by the SEIT program. This portion of the calculations is reflected in the draft audit report calculations.

When originally reporting on the CFRs for FY11-FY13, Starting Point had allocated all related service mandated time to the related services cost center, even though only about 80% of the mandated related service sessions were actually delivered annually. (The aggregate delivery percentages of related services for each year were as follows: FY11 - 73%; FY12 - 66%; FY13 - 74 %) Hours paid to shared staff for related services not spent delivering mandates was viewed as compensation to staff for related activities

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such as paperwork and travel. This portion of the calculations is also reflected in the draft audit report calculations. Therefore, both the SEIT and Related Service programs include the time associated with the direct service and the related activities such as documentation and travel.

Although we do not challenge the Draft Audit's calculation of hours for direct and related activities for both programs, we disagree with its handling of the remainder of the hours paid that were not already assigned. The auditors' calculations for the remainder of paid hours (after accounting for mandated SEIT and related service sessions and adjusting the SEIT hours for time necessary for the required related activities) should have prorated the hours between the SEIT and Related Service programs for all other activities. Instead, the auditors' calculation attributed all of these hours to the Related Service program. Since these hours related to both the SEIT and Related Service programs, this approach results in overstating the hours in the Related Service program and understating the hours in the SEIT program. As reflected in spreadsheets shared with the auditors, if the remaining hours paid were prorated to the mandated hours of related service and the mandated SEIT hours plus a calculated number of hours to achieve 66% productivity, the proposed disallowance would have been reduced as follows:

Fiscal Year	Reduction of Proposed Disallowance
FY11	284,385
FY12	219,011
FY13	222,557
<b>GRAND TOTAL:</b>	<b>725,953</b>

In summary, the auditors' calculations must be adjusted to properly allocate the "remainder" time between the SEIT and Related Services programs proportionate to the mandated sessions for each such program. Such an allocation would be in accordance with Generally Accepted Accounting Principles as well as proper Cost Accounting Principles. This allocation is similar to the CFR guidance governing allocating property costs where "shared (common) space" is allocated between costs centers based on each cost center's share of the direct space.

Were the hours charged to the SEIT program revised as per the auditors' work papers which supported the Draft Report, there would be a deleterious impact on the aggregate SEIT productivity calculations as compared to Starting Point's filed CFRs. The chart below quantifies the impact of the auditors' calculations.

Fiscal Year	SEIT Teachers Hours Paid as Adjusted by OSC	# Mandated 30 Minute SEIT Sessions	# SEIT Hours Mandated	Productivity Percentage after OSC Adjustment to Hours Paid
FY11	266041	347547	173774	65%
FY12	217498	322379	161190	74%
FY13	199557	293546	146773	74%

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**Non-Program Costs**

We do not challenge at this time the auditors' finding that certain related service salary costs were reported as SEIT costs through a reporting error (\$70,078).

**Misclassified Costs**

SPSC does not challenge the proposed disallowance of \$3,292 associated with the misallocation of certain administrative employee salaries to the SEIT program by the CFR consultant engaged by SPSC.

**Other than Personal Service Costs**

**Inadequately Documented Consultant Costs**

We challenge the auditors' "suggestion" that the "cost of the CFO consultant is not reimbursable as the Controller should have possessed the necessary technical skills for the services that were provided by the consultant" as a misconstruction of the applicable provision of the RCM. Clearly, both the RCM and the CFR contemplate many levels of fiscal management within an organization with the assignment of responsibilities and tasks as appropriate to the title/position. As was described to the auditors, SPSC's organizational structure apportions many skilled activities to the CFO consultant as a necessary result of the still-developing skill set of the Controller.

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The principal basis for the disallowance is that "the controller should have possessed the necessary technical skills for the services that were provided by the consultant," who acted in the capacity of the Chief Fiscal Officers (CFO). The auditors base the finding on the Controller's resume and the assessment that the Controller held the appropriate certification and possessed the necessary technical skills to perform the duties of the CFO. These assessments are purely subjective, without basis, and incorrect. The services provided by SPSC's contracted CFO are not the same services that were or could be performed by the Controller. Although the Controller does provide certain accounting functions, he does not have the experience to be able to provide the services provided by the contracted CFO.

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Simply stated, the Controller does not have the educational background to effectively guide the organization's accounting department. An educational background in Finance and Information Systems as obtained by the Controller is not comparable to an education in accounting. In fact, NYSED sets the minimal qualifications of a CFO to be a background in financial management, not banking.

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By contrast, the contracted CFO has almost 30 years of experience serving in this capacity within the educational sector. Besides providing consulting services to many similar not-for-profits for the past 10 years including serving as a contract CFO for multiple organizations, he was previously employed by several not-for-profits as the CFO for almost 20 years. This includes organizations with the same or similar programs to

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Starting Point, some with significantly larger budget and more complexity. He therefore comes to Starting Point as someone with the expertise to be the CFO and is not duplicative of the Controller's position.

While the Controller does perform some services that appear similar to the ones included in the contract for the CFO, the CFO has additional responsibilities beyond those stated in his contract. The overarching provision in the contract calls for him to assume the role of the CFO and like that of any on-staff CFO, requires performing all the services necessary in order to manage the financial reporting and health of the organization. The specific services of the contract are not all inclusive. The following details the specific services provided by the CFO and Controller to demonstrate the differences in their job functions and duties and demonstrate that their services are not duplicative.

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**Services provided by the CFO include:**

- The CFO prepares year end expense analyses, some of which were given to the OSC. The CFO prepares the CFR crosswalk schedule and was the liaison for all crosswalk queries by our auditors, SED and even the OSC.
- The CFO meets at least weekly with the Executive Director on items including, but not limited to, cash flow, forecasting of current years operations, human resources, payroll issues, updates on RCM changes, staff efficiency and productivity analysis, correspondence with RSU on all items relating to the CFR and rate issues.
- The CFO also attends and presents at most board meetings, which are held at least four times per year. The CFO also meets separately with the board's president on various financial issues.
- The CFO is the liaison with the independent auditors for finalization of financial statements and the CFR. This is in addition to the Controller responsibilities to provide analysis and information to the auditors during the audit process.
- The CFO attends meetings with the supervisory staff to discuss CFR staffing and funding issues.
- The CFO meets with the contracted programmers to ensure that fiscal needs are met in any and all programming initiatives.
- The CFO has also successfully negotiated lines of credit (LOC) with two different banks, including a permanent LOC.
- The CFO also assists in HR and personnel matters, as he has almost 30 years of experience serving many NFPs in this capacity.

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**Services provided by the Controller include:**

- The Controller adheres to and implements the financial procedures and policies set by the Board of Directors.
- The Controller develops and maintains the system of internal controls that safeguard the assets of Starting Point.
- The Controller oversees the purchasing and payroll activity.
- The Controller monitors all banking activities including, but not limited to, performing bank reconciliations.
- The Controller generates all information necessary to perform cash flow projections and other management forecasting.
- The Controller oversees accounts payable and accounts receivable.
- The Controller performs all billing functions for all programs including, but not limited to, reconciliations with city and state agencies.
- The Controller verifies the accuracy of all credit card activity.
- The Controller classifies and maintains all financial files and records.
- The Controller oversees all business insurance.

Moreover, the RCM does not prohibit the “purchase” of consultant services to, in fact, “complement” the skill set or time availability of existing agency personnel, as the auditors would suggest. Simply stated, additional personnel were required to provide chief fiscal officer management services beyond the time and skill set the Controller was able to dedicate to those higher management responsibilities.

The auditors further find that the CFO’s costs should be disallowed because the services rendered were not adequately documented. As shared with the auditors, the CFOs contemporaneously kept records indicating hours worked in the three years were 493, 479, and 561. Duties performed included all of those items mentioned above. These same records kept in the normal course of business reflect the number of hours dedicated each week to specific tasks in support of the “services provided” description on the invoices. As auditors are aware, some consultant engagements are “project-based” and do not lend themselves to hourly fees or specific services provided, as much as a general description of the general responsibilities – as here, CFO – with general categories of tasks and services to be provided. As noted above, the CFO’s own business records provide ample description of the tasks performed by date.

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Ineligible Costs

We do not challenge the disallowance of certain legal and accountant service costs associated with SPSC's inquiries around retirement plans. These elements of the professionals' detailed invoices were erroneously combined with other allowable legal and accountant fees.

Food Costs

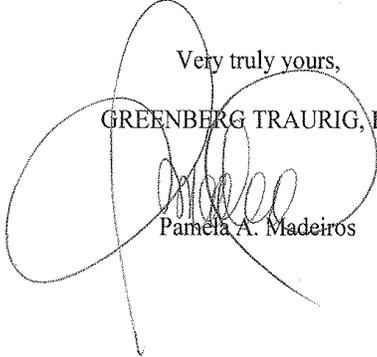
SPSC acknowledges the reporting error associated with the cost of food provided to staff.

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We appreciate this opportunity to further inform the auditors' decision making process.

Very truly yours,

GREENBERG TRAURIG, LLP

  
Pamela A. Madeiros

PAM/kac  
Enclosures

cc: Dmitri Vassiliev (OSC)  
Suzanne Bolling (NYSED)  
Maria Guzman (NYSED)

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Starting Point Services for Children  
 Recalculated SEIT/Speech  
 Fiscal Years 2011, 2012 and 2013

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	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>
SEIT Salaries reported on CFR 4	1,572,575	1,537,991	1,613,466	4,724,032
Recalculated salaries	1,282,005	1,248,161	1,396,276	3,926,443
Difference	290,570	289,830	217,189	797,589
Fringes on difference @0.342, 0.324, 0.282	99,375	93,905	61,247	254,527
Total change	389,944	383,735	278,437	1,052,116
Change per OSC (incl fringe)	674,329	602,746	500,994	1,778,069
Difference	(284,385)	(219,011)	(222,557)	(725,953)

Starting Point Services for Children  
Recalculation of SEIT Staff Efficiency  
Based On Delivereds

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Mandates per CFR 1	293,546	322,379	347,547
Hours originally reported on CFR 4	210,701	230,119	271,472
Efficiency	69.7%	70.0%	64.0%
Hours reported for Speech/SEIT only	36,586	34,287	37,905
New calculation of Speech/SEIT Staff	25,709	21,666	32,474
Calculation reduction	10,877	12,621	5,431
Less staff disallowed			
	267		
Total reduction	11,144	12,621	5,431
New hours	199,557	217,498	266,041
New efficiency	74%	74%	65%

Starting Point Services for Children  
Recalculation of SEIT Staff Efficiency  
Based On Mandates

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Mandates per CFR 1	293,546	322,379	347,547
Hours originally reported on CFR 4	210,701	230,119	271,472
Efficiency	69.7%	70.0%	64.0%
Hours reported for Speech/SEIT only	36,586	34,287	37,905
New calculation of Speech/SEIT Staff	31,378	27,761	31,109
Calculation reduction	5,207	6,526	6,796
Less staff disallowed			
	267		
	692		
Total reduction	6,166	6,526	6,796
New hours	204,535	223,593	264,676
New efficiency	72%	72%	66%

Source: C:\Budget\Pages\Recent\Workbooks\permdot\101301\_Police\Worksheet101301\_CPS\_Cumulative

Account	101301	101302	101303	101304	101305	101306	101307	101308	101309	101310	101311	101312	101313	101314	101315	101316	101317	101318	101319	101320	101321	101322	101323	101324	101325	101326	101327	101328	101329	101330	101331	101332	101333	101334	101335	101336	101337	101338	101339	101340	101341	101342	101343	101344	101345	101346	101347	101348	101349	101350	101351	101352	101353	101354	101355	101356	101357	101358	101359	101360	101361	101362	101363	101364	101365	101366	101367	101368	101369	101370	101371	101372	101373	101374	101375	101376	101377	101378	101379	101380	101381	101382	101383	101384	101385	101386	101387	101388	101389	101390	101391	101392	101393	101394	101395	101396	101397	101398	101399	101400	101401	101402	101403	101404	101405	101406	101407	101408	101409	101410	101411	101412	101413	101414	101415	101416	101417	101418	101419	101420	101421	101422	101423	101424	101425	101426	101427	101428	101429	101430	101431	101432	101433	101434	101435	101436	101437	101438	101439	101440	101441	101442	101443	101444	101445	101446	101447	101448	101449	101450	101451	101452	101453	101454	101455	101456	101457	101458	101459	101460	101461	101462	101463	101464	101465	101466	101467	101468	101469	101470	101471	101472	101473	101474	101475	101476	101477	101478	101479	101480	101481	101482	101483	101484	101485	101486	101487	101488	101489	101490	101491	101492	101493	101494	101495	101496	101497	101498	101499	101500
101301	101302	101303	101304	101305	101306	101307	101308	101309	101310	101311	101312	101313	101314	101315	101316	101317	101318	101319	101320	101321	101322	101323	101324	101325	101326	101327	101328	101329	101330	101331	101332	101333	101334	101335	101336	101337	101338	101339	101340	101341	101342	101343	101344	101345	101346	101347	101348	101349	101350	101351	101352	101353	101354	101355	101356	101357	101358	101359	101360	101361	101362	101363	101364	101365	101366	101367	101368	101369	101370	101371	101372	101373	101374	101375	101376	101377	101378	101379	101380	101381	101382	101383	101384	101385	101386	101387	101388	101389	101390	101391	101392	101393	101394	101395	101396	101397	101398	101399	101400	101401	101402	101403	101404	101405	101406	101407	101408	101409	101410	101411	101412	101413	101414	101415	101416	101417	101418	101419	101420	101421	101422	101423	101424	101425	101426	101427	101428	101429	101430	101431	101432	101433	101434	101435	101436	101437	101438	101439	101440	101441	101442	101443	101444	101445	101446	101447	101448	101449	101450	101451	101452	101453	101454	101455	101456	101457	101458	101459	101460	101461	101462	101463	101464	101465	101466	101467	101468	101469	101470	101471	101472	101473	101474	101475	101476	101477	101478	101479	101480	101481	101482	101483	101484	101485	101486	101487	101488	101489	101490	101491	101492	101493	101494	101495	101496	101497	101498	101499	101500	

SET Salaries reported on CPS & ...  
 Progress on diff/4/16 R R 3 232  
 Total change  
 Change per CSC (not shown)  
 Difference

Starting Point Services for Children, Inc.  
 Salary (FY 2014)

Year	Month	As reported on CCR 4/3/13 CCR					Merit raises per SPSC Records					"New" CCR 4 salaries					"New" CCR 4 hours				
		Sum	Count	Rate	Rate	Total	Sum	Count	Rate	Rate	Total	Sum	Count	Rate	Rate	Total	Sum	Count	Rate	Rate	Total
2013/03	3/1/13	213.52	1	213.52	213.52	213.52	1	213.52	213.52	213.52	213.52	1	213.52	213.52	213.52	213.52	1	213.52	213.52	213.52	213.52
2013/03	3/15/13	273.52	1	273.52	273.52	273.52	1	273.52	273.52	273.52	273.52	1	273.52	273.52	273.52	273.52	1	273.52	273.52	273.52	273.52
2013/03	3/29/13	333.52	1	333.52	333.52	333.52	1	333.52	333.52	333.52	333.52	1	333.52	333.52	333.52	333.52	1	333.52	333.52	333.52	333.52
2013/03	4/12/13	393.52	1	393.52	393.52	393.52	1	393.52	393.52	393.52	393.52	1	393.52	393.52	393.52	393.52	1	393.52	393.52	393.52	393.52
2013/03	4/26/13	453.52	1	453.52	453.52	453.52	1	453.52	453.52	453.52	453.52	1	453.52	453.52	453.52	453.52	1	453.52	453.52	453.52	453.52
2013/03	5/10/13	513.52	1	513.52	513.52	513.52	1	513.52	513.52	513.52	513.52	1	513.52	513.52	513.52	513.52	1	513.52	513.52	513.52	513.52
2013/03	5/24/13	573.52	1	573.52	573.52	573.52	1	573.52	573.52	573.52	573.52	1	573.52	573.52	573.52	573.52	1	573.52	573.52	573.52	573.52
2013/03	6/7/13	633.52	1	633.52	633.52	633.52	1	633.52	633.52	633.52	633.52	1	633.52	633.52	633.52	633.52	1	633.52	633.52	633.52	633.52
2013/03	6/21/13	693.52	1	693.52	693.52	693.52	1	693.52	693.52	693.52	693.52	1	693.52	693.52	693.52	693.52	1	693.52	693.52	693.52	693.52
2013/03	7/5/13	753.52	1	753.52	753.52	753.52	1	753.52	753.52	753.52	753.52	1	753.52	753.52	753.52	753.52	1	753.52	753.52	753.52	753.52
2013/03	7/19/13	813.52	1	813.52	813.52	813.52	1	813.52	813.52	813.52	813.52	1	813.52	813.52	813.52	813.52	1	813.52	813.52	813.52	813.52
2013/03	8/2/13	873.52	1	873.52	873.52	873.52	1	873.52	873.52	873.52	873.52	1	873.52	873.52	873.52	873.52	1	873.52	873.52	873.52	873.52
2013/03	8/16/13	933.52	1	933.52	933.52	933.52	1	933.52	933.52	933.52	933.52	1	933.52	933.52	933.52	933.52	1	933.52	933.52	933.52	933.52
2013/03	8/30/13	993.52	1	993.52	993.52	993.52	1	993.52	993.52	993.52	993.52	1	993.52	993.52	993.52	993.52	1	993.52	993.52	993.52	993.52
2013/03	9/13/13	1053.52	1	1053.52	1053.52	1053.52	1	1053.52	1053.52	1053.52	1053.52	1	1053.52	1053.52	1053.52	1053.52	1	1053.52	1053.52	1053.52	1053.52
2013/03	9/27/13	1113.52	1	1113.52	1113.52	1113.52	1	1113.52	1113.52	1113.52	1113.52	1	1113.52	1113.52	1113.52	1113.52	1	1113.52	1113.52	1113.52	1113.52
2013/03	10/11/13	1173.52	1	1173.52	1173.52	1173.52	1	1173.52	1173.52	1173.52	1173.52	1	1173.52	1173.52	1173.52	1173.52	1	1173.52	1173.52	1173.52	1173.52
2013/03	10/25/13	1233.52	1	1233.52	1233.52	1233.52	1	1233.52	1233.52	1233.52	1233.52	1	1233.52	1233.52	1233.52	1233.52	1	1233.52	1233.52	1233.52	1233.52
2013/03	11/8/13	1293.52	1	1293.52	1293.52	1293.52	1	1293.52	1293.52	1293.52	1293.52	1	1293.52	1293.52	1293.52	1293.52	1	1293.52	1293.52	1293.52	1293.52
2013/03	11/22/13	1353.52	1	1353.52	1353.52	1353.52	1	1353.52	1353.52	1353.52	1353.52	1	1353.52	1353.52	1353.52	1353.52	1	1353.52	1353.52	1353.52	1353.52
2013/03	12/6/13	1413.52	1	1413.52	1413.52	1413.52	1	1413.52	1413.52	1413.52	1413.52	1	1413.52	1413.52	1413.52	1413.52	1	1413.52	1413.52	1413.52	1413.52
2013/03	12/20/13	1473.52	1	1473.52	1473.52	1473.52	1	1473.52	1473.52	1473.52	1473.52	1	1473.52	1473.52	1473.52	1473.52	1	1473.52	1473.52	1473.52	1473.52
2013/03	1/3/14	1533.52	1	1533.52	1533.52	1533.52	1	1533.52	1533.52	1533.52	1533.52	1	1533.52	1533.52	1533.52	1533.52	1	1533.52	1533.52	1533.52	1533.52
2013/03	1/17/14	1593.52	1	1593.52	1593.52	1593.52	1	1593.52	1593.52	1593.52	1593.52	1	1593.52	1593.52	1593.52	1593.52	1	1593.52	1593.52	1593.52	1593.52
2013/03	1/31/14	1653.52	1	1653.52	1653.52	1653.52	1	1653.52	1653.52	1653.52	1653.52	1	1653.52	1653.52	1653.52	1653.52	1	1653.52	1653.52	1653.52	1653.52
2013/03	2/14/14	1713.52	1	1713.52	1713.52	1713.52	1	1713.52	1713.52	1713.52	1713.52	1	1713.52	1713.52	1713.52	1713.52	1	1713.52	1713.52	1713.52	1713.52
2013/03	2/28/14	1773.52	1	1773.52	1773.52	1773.52	1	1773.52	1773.52	1773.52	1773.52	1	1773.52	1773.52	1773.52	1773.52	1	1773.52	1773.52	1773.52	1773.52
2013/03	3/13/14	1833.52	1	1833.52	1833.52	1833.52	1	1833.52	1833.52	1833.52	1833.52	1	1833.52	1833.52	1833.52	1833.52	1	1833.52	1833.52	1833.52	1833.52
2013/03	3/27/14	1893.52	1	1893.52	1893.52	1893.52	1	1893.52	1893.52	1893.52	1893.52	1	1893.52	1893.52	1893.52	1893.52	1	1893.52	1893.52	1893.52	1893.52
2013/03	4/10/14	1953.52	1	1953.52	1953.52	1953.52	1	1953.52	1953.52	1953.52	1953.52	1	1953.52	1953.52	1953.52	1953.52	1	1953.52	1953.52	1953.52	1953.52
2013/03	4/24/14	2013.52	1	2013.52	2013.52	2013.52	1	2013.52	2013.52	2013.52	2013.52	1	2013.52	2013.52	2013.52	2013.52	1	2013.52	2013.52	2013.52	2013.52
2013/03	5/8/14	2073.52	1	2073.52	2073.52	2073.52	1	2073.52	2073.52	2073.52	2073.52	1	2073.52	2073.52	2073.52	2073.52	1	2073.52	2073.52	2073.52	2073.52
2013/03	5/22/14	2133.52	1	2133.52	2133.52	2133.52	1	2133.52	2133.52	2133.52	2133.52	1	2133.52	2133.52	2133.52	2133.52	1	2133.52	2133.52	2133.52	2133.52
2013/03	6/5/14	2193.52	1	2193.52	2193.52	2193.52	1	2193.52	2193.52	2193.52	2193.52	1	2193.52	2193.52	2193.52	2193.52	1	2193.52	2193.52	2193.52	2193.52
2013/03	6/19/14	2253.52	1	2253.52	2253.52	2253.52	1	2253.52	2253.52	2253.52	2253.52	1	2253.52	2253.52	2253.52	2253.52	1	2253.52	2253.52	2253.52	2253.52
2013/03	7/3/14	2313.52	1	2313.52	2313.52	2313.52	1	2313.52	2313.52	2313.52	2313.52	1	2313.52	2313.52	2313.52	2313.52	1	2313.52	2313.52	2313.52	2313.52
2013/03	7/17/14	2373.52	1	2373.52	2373.52	2373.52	1	2373.52	2373.52	2373.52	2373.52	1	2373.52	2373.52	2373.52	2373.52	1	2373.52	2373.52	2373.52	2373.52
2013/03	7/31/14	2433.52	1	2433.52	2433.52	2433.52	1	2433.52	2433.52	2433.52	2433.52	1	2433.52	2433.52	2433.52	2433.52	1	2433.52	2433.52	2433.52	2433.52
2013/03	8/14/14	2493.52	1	2493.52	2493.52	2493.52	1	2493.52	2493.52	2493.52	2493.52	1	2493.52	2493.52	2493.52	2493.52	1	2493.52	2493.52	2493.52	2493.52
2013/03	8/28/14	2553.52	1	2553.52	2553.52	2553.52	1	2553.52	2553.52	2553.52	2553.52	1	2553.52	2553.52	2553.52	2553.52	1	2553.52	2553.52	2553.52	2553.52
2013/03	9/11/14	2613.52	1	2613.52	2613.52	2613.52	1	2613.52	2613.52	2613.52	2613.52	1	2613.52	2613.52	2613.52	2613.52	1	2613.52	2613.52	2613.52	2613.52
2013/03	9/25/14	2673.52	1	2673.52	2673.52	2673.52	1	2673.52	2673.52	2673.52	2673.52	1	2673.52	2673.52	2673.52	2673.52	1	2673.52	2673.52	2673.52	2673.52
2013/03	10/9/14	2733.52	1	2733.52	2733.52	2733.52	1	2733.52	2733.52	2733.52	2733.52	1	2733.52	2733.52	2733.52	2733.52	1	2733.52	2733.52	2733.52	2733.52
2013/03	10/23/14	2793.52	1	2793.52	2793.52	2793.52	1	2793.52	2793.52	2793.52	2793.52	1	2793.52	2793.52	2793.52	2793.52	1	2793.52	2793.52	2793.52	2793.52
2013/03	11/6/14	2853.52	1	2853.52	2853.52	2853.52	1	2853.52	2853.52	2853.52	2853.52	1	2853.52	2853.52	2853.52	2853.52	1	2853.52	2853.52	2853.52	2853.52
2013/03	11/20/14	2913.52	1	2913.52	2913.52	2913.52	1	2913.52	2												

Starting Point Services for Children  
 Recalculated SEIT/Speech  
 Fiscal Year 2011, 2012 and 2013

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Total</u>	<u>Per OSC</u>
SEIT Salaries reported on CFR 4	1,572,575	1,537,991	1,613,466	4,724,032	
Recalculated salaries	1,282,005	1,248,161	1,396,276	3,926,443	
Difference	290,570	289,830	217,189	797,589	
Fringes on difference @0.342, 0.324, 0.282	99,375	93,905	61,247	254,527	
Total change	389,944	383,735	278,437	1,052,116	
Change per OSC (incl fringe)	674,329	602,746	500,994	1,778,069	1,774,996
Difference	(284,385)	(219,011)	(222,557)	(725,953)	

Starting Point Services for Children  
Recalculation of SEIT Staff Efficiency  
Based On Mandates

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Mandates per CFR 1	293,546	322,379	347,547
Hours originally reported on CFR 4	210,701	230,119	271,472
Efficiency	69.7%	70.0%	64.0%
Hours reported for Speech/SEIT only	36,586	34,287	37,905
New calculation of Speech/SEIT Staff	31,378	27,761	31,109
Calculation reduction	5,207	6,526	6,796
Less staff disallowed			
	267		
	692		
Total reduction	6,166	6,526	6,796
New hours	204,535	223,593	264,676
New efficiency	71.8%	72.1%	65.7%

PW Starting Point Hours worked			
Date	Location	Hours Worked	Items Worked
01/03/11		2	Budget
01/04/11		1	Budget
01/05/11	On site	8	Budget
01/07/11		1	Pension
01/11/11		2	Cash flow
01/12/11	On site	8	Various
01/13/11		1	Cash flow
01/18/11		1	Various
01/19/11	On site	8	Various
01/25/11		2	Planning
01/26/11		2	P & L
02/01/11		2	990
02/02/11	On site	8	P & L
02/07/11		3	P & L
02/09/11	On site	8	Planning
02/11/11		2	
02/15/11		1	
02/16/11	On site	8	Various
02/18/11		3	990
03/01/11		3	
03/02/11	On site	8	
03/07/11		2	Board meeting plannig
03/09/11	On site	8	
03/16/11	On site	8	Board meeting + Staff Conference
03/17/11		5	Personnel
03/18/11		1	Forecasting
03/23/11	On site	8	
03/25/11		1	
03/30/11	On site	8	
04/06/11	On site	8	Accounting
04/13/11	On site	8	Various
04/18/11		4	Y/E Analysis
04/28/11	On site	8	Y/E Anal- sis
05/02/11		2	
05/03/11		3	
05/05/11	On site	6	611/619 Contracts
05/09/11		4	
05/11/11	On site	8	Various
05/15/11		3	
05/18/11	On site	8	Year end
05/23/11	On site	8	Year end
05/25/11	On site	8	Year end
06/02/11	On site	8	Year end
06/07/11	On site	8	Year end
06/10/11	On site	8	Year end
06/14/11		1	
06/15/11	On site	8	Year end
06/22/11	On site	8	Year end
06/30/11	On site	8	Staff Conference
07/01/11	On site	8	Year end+ Board meeting prep
07/06/11	On site	8	Board meeting
07/13/11	On site	8	Year end
07/15/11	On site	8	Year end
07/19/11		1	
07/20/11	On site	8	
07/29/11	On site	8	Audit prep
08/03/11	On site	8	Year end

PW Starting Point Hours worked			
<u>Date</u>	<u>Location</u>	<u>Hours Worked</u>	<u>Items Worked</u>
08/10/11	On site	8	Year end
08/16/11	On site	8	Year end
08/24/11	On site	8	Year end
08/29/11		3	
08/31/11	On site	8	Year end
09/02/11		3	
09/14/11	On site	8	Year end
09/15/11		5	CFR Prep
09/19/11		5	CFR Prep
09/21/11	On site	8	CFR Prep
10/06/11	On site	8	CFR Prep
10/11/11		4	CFR Prep
10/12/11	On site	8	CFR Prep
10/14/11	On site	8	CFR Prep
10/19/11	On site	8	CFR Prep
10/26/11	On site	8	CFR Prep
11/02/11	On site	8	CFR Prep
11/06/11	On site	6	CFR Prep
11/10/11	On site	8	CFR Prep
11/16/11	On site	8	CFR Prep
11/19/11		5	CFR Prep
11/23/11	On site	6	CFR Prep
11/30/11	On site	8	CFR Prep
12/02/11		2	
12/07/11	On site	8	Board meeting prep
12/15/11	On site	8	Board meeting
12/21/11	On site	8	
12/29/11		3	
Total		493	

PW Starting Point Hours worked			
Date	Location	Hours Worked	Items Worked
01/03/12	On site	8	Budget
01/18/12	On site	8	Budget
01/25/12	On site	8	Budget
01/30/12		2	Various
02/01/12	On site	8	Various
02/08/12	On site	8	Various
02/13/12	On site	8	Various
02/15/12	On site	8	Various
02/20/12	On site	8	Board meeting'
02/29/12	On site	8	
03/02/12	On site	8	
03/07/12	On site	8	990
03/12/12		4	
03/14/12	On site	8	
03/21/12	On site	8	Staff Conference
03/28/12	On site	8	
04/03/12	On site	8	
04/12/12	On site	8	
04/17/12		2	990
04/18/12	On site	8	
04/25/12	On site	8	
05/02/12	On site	8	Y/E Analysis
05/09/12	On site	8	Y/E Analysis
05/11/12	On site	8	Y/E Analysis
05/16/12	On site	8	Y/E Analysis
05/22/12	On site	8	
05/29/12		2	
05/30/12		3	
05/31/12		1	
06/06/12	On site	8	Y/E prep
06/13/12	On site	8	
06/20/12	On site	8	
06/27/12	On site	8	
07/03/12	On site	6	
07/11/12	On site	8	
07/18/12	On site	8	
07/25/12	On site	8	
08/02/12	On site	8	
08/09/12	On site	8	Board meeting plannig
08/13/12	On site	8	Board meeting'
08/22/12	On site	8	Audit Prep
08/29/12	On site	8	Audit Prep
08/30/12	On site	8	Staff Conference
09/05/12	On site	8	Audit Prep
09/12/12	On site	8	Audit Prep
09/19/12	On site	8	Audit Prep
10/03/12	On site	8	
10/05/12		5	
10/11/12	On site	8	Year End
10/15/12	On site	8	Year End
10/17/12	On site	8	Year End
10/18/12	On site	8	Year End
10/22/12	On site	8	Year End
10/25/12	On site	8	CFR Prep
10/31/12	On site	8	CFR Prep
11/06/12	On site	8	CFR Prep
11/07/12	On site	8	CFR Prep

PW Starting Point Hours worked			
<u>Date</u>	<u>Location</u>	<u>Hours Worked</u>	<u>Items Worked</u>
11/14/12	On site	8	CFR Prep
11/19/12	On site	8	CFR Prep
11/21/12	On site	6	CFR Prep
11/29/12	On site	8	CFR Prep
12/04/12	On site	8	CFR Prep + Bd Meeting planning
12/06/12	On site	8	Board meeting
12/13/12	On site	8	CFR Prep
12/19/12	On site	8	CFR Prep
Total		479	

PW Starting Point Hours worked			
Date	Location	Hours Worked	Items Worked
01/03/13	On site	8	Budget
01/08/13	On site	8	Budget
01/14/13		2	
01/15/13		2	
01/18/13		3	
01/23/13	On site	8	Board meeting plannig
01/30/13	On site	8	Board meeting
02/06/13		2	
02/07/13	On site	8	
02/13/13	On site	8	Auditors and Pension
02/19/13		1	
02/21/13		2	
02/27/13	On site	8	Auditors and Pension
03/06/13	On site	8	
03/08/13	On site	8	
03/12/13		1	
03/13/13	On site	8	
03/20/13	On site	8	Pension
03/27/13		4	990
03/29/13		3	
04/03/13	On site	8	Board meeting plannig
04/05/13		1	
04/09/13	On site	8	Board meeting
04/11/13		3	
04/12/13	On site	8	Bank
04/17/13	On site	8	Y/E Planning
04/19/13		2	
04/24/13	On site	6	Staff Conference
04/25/13	On site	7	IAC Meeting
04/29/13		2	
04/30/13		3	
05/01/13	On site	8	Y/E Analysis
05/08/13	On site	8	Y/E Analysis
05/15/13	On site	8	Y/E Analysis
05/22/13	On site	8	Y/E Analysis
05/29/13	On site	8	Y/E Analysis
06/05/13	On site	8	Board meeting plannig
06/11/13	On site	8	Board meeting
06/14/13		4	
06/19/13	On site	8	Year end
06/26/13	On site	8	Year end
06/27/13	On site	8	Staff Conference
07/03/13	On site	6	Year end
07/10/13	On site	8	Year end
07/18/13	On site	8	Year end
07/24/13	On site	8	Meeting with Legal
07/25/13	On site	8	Year end
07/31/13	On site	8	Year end
08/07/13	On site	8	Year end+ Board meeting prep
08/14/13	On site	8	Board meeting
08/21/13	On site	8	Year end
08/26/13	On site	8	Year end
08/27/13	On site	8	L & T Start of audit
08/28/13		3	
09/03/13	On site	8	
09/09/13	On site	8	Year end
09/11/13	On site	8	L & T

PW			
Starting Point Hours worked			
Date	Location	Hours Worked	Items Worked
09/17/13	On site	8	L & T
09/19/13	On site	8	Year end
09/23/13		1	
09/25/13	On site	8	Year end
09/30/13	On site	8	L & T
10/01/13		4	Pension
10/02/13		2	Payroll
10/09/13	On site	8	CFR Prep
10/16/13	On site	8	Board meeting
10/18/13	On site	8	Joyce re Grant
10/23/13	On site	8	CFR Prep
10/24/13	On site	8	CFR Prep
10/29/13	On site	8	CFR Prep
11/06/13		2	
11/07/13		4	CFR Prep
11/12/13	On site	8	CFR Prep
11/13/13	Office	3	CFR Prep
11/17/13	On site	5	CFR Prep
11/20/13	On site	8	CFR Prep
11/26/13	On site	8	CFR Prep
12/01/13	On site	5	CFR Prep
12/03/13	On site	8	CFR Prep
12/04/13	On site	8	
12/07/13	On site	8	Budget
12/11/13	On site	8	
12/12/13	On site	8	
12/18/13	On site	8	
12/19/13	On site	8	
12/23/13	On site	8	
12/27/13	On site	6	
Total		561	

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## State Comptroller's Comments

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1. Auditors correctly applied the guidance prescribed by the Manual and Part 200, Section 200.9 of the Commissioner's Regulations. Further, the auditors' calculations used to prepare the draft report were reviewed and affirmed by SED during the course of the audit's fieldwork. Also, in responding to the draft report, SED agreed with the report's recommendations.
2. The fact remains that Starting Point officials did not maintain and/or provide records to support the costs for extra staff hours claimed on the CFRs. Further, we did not rely solely on CFR data to draw our conclusions. In fact, we reviewed and used Starting Point source documents and other records of the actual services provided by its teachers. In addition, the absence of a CFR reporting requirement for related services rendered does not support the contention that there are no "related activities" associated with related services.
3. We acknowledge that SED tracked the CFR data in question to assess the relationship between the hours paid for SEITs and the number of SEIT hours mandated by students' IEPs. However, we did not rely solely on that data to determine the numbers of SEIT sessions eligible for reimbursement. In fact, as noted previously, we used records of the actual services provided by the SEITs. Further, we applied the maximum non-direct hours permitted by SED in relation to mandated SEIT hours to determine the total number of reimbursable SEIT hours (and corresponding CFR costs) for shared staff.
4. We acknowledge that student enrollment can fluctuate significantly over time. This is common in the preschool special education environment. Consequently, Starting Point officials should have developed and implemented the necessary controls to ensure that services provided to students were recorded and reported accurately (and in full compliance with Part 200, Section 200.9 of the Commissioner's Regulations). Further, as noted previously, we applied the maximum non-direct hours permitted by SED in relation to mandated SEIT hours to determine the total number of reimbursable SEIT hours and costs for shared staff.
5. The fact that the aggregate number of mandated SEIT hours (for all direct care staff charged to the program) was within the required productivity band does not change the fact that Starting Point incorrectly allocated costs for shared staff. We analyzed the activities of all SEIT staff who were shared with any non-SEIT programs and affirmed the accuracy of our calculations.
6. Travel time may differ from location to location; however, Starting Point failed to provide appropriate and sufficient documentation to support teacher travel time and other related (non-session) activities. Further, Starting Point officials claimed the maximum allowable percentage (34 percent) for other related activities, although they provided no documented analysis (as otherwise required) to support it.
7. We maintain that the unsupported hours should not have been prorated among the SEIT and Related Services program. The allocation of such hours would have been improper because Starting Point had charged the maximum allowable costs to the SEIT program prior to any allocation of unsupported hours.
8. Absent the required supporting documentation, we could not arbitrarily prorate the

expenses in question beyond what is allowed by SED guidelines. Because Starting Point failed to properly document the employees' time and activities, we did not have adequate assurance that the hours in question were applicable to the SEIT and/or the Related Services programs.

9. Our calculations were based on the Manual's guidelines as well as guidance from SED rate-setting officials.
10. The CFR Manual states that the Controller is responsible for the overall fiscal management of the agency. Therefore, it was not reasonable (nor should it have been necessary) for Starting Point to hire a consultant to function as the CFO, with ostensibly the same responsibilities as the Controller. With an annual compensation of about \$195,000 (in salary, bonuses and fringe benefits), the Controller should have possessed the skills necessary to administer Starting Point's overall fiscal management. However, based on certain comments in Starting Point's response, we question whether the Controller (with a "still-developing skill set") possessed the requisite skills to comply with requirements of the CFR Manual.
11. Starting Point could not provide supporting documentation (such as cash flow analyses, forecasts of operations, memos, reports, emails, or meeting agendas) related to the issues the CFO purportedly discussed with the Executive Director, Board President, and supervisors.
12. Our report does not state that the RCM prohibits the "purchase" of consultant services to complement the skill set of agency personnel. However, as the report details, compensation for Starting Point's Controller totaled \$586,310 during the audit period. If this person possessed the requisite skills to oversee Starting Point's financial operations, it should not have been necessary to hire a consultant (costing \$310,136) to function as the CFO. However, as stated in Starting Point's response, "the Controller does not have the educational background to effectively guide the organization's accounting department." Consequently, Starting Point incurred unnecessary and unreasonable costs because the Controller apparently lacked the qualifications for the position. Also, see Comment No. 10.
13. As noted on page 8 of the report, the consultant's invoices did not meet the requirements set forth in the Manual. Consequently, we maintain that the costs in question are not reimbursable.
14. In general, the schedules attached to Starting Point's response are not contemporaneous with the CFRs in question, and they do not provide the required support for the amounts of costs Starting Point reported on those CFRs. Problems with these schedules are addressed in the previous State Comptroller's Comments, particularly Comments Nos. 2 through 8. Further, based on our review of these schedules, we maintain the propriety of our conclusions and determinations as detailed in the audit report.