



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
Susan E. Wagner Preschool**



Report 2015-S-100

November 2016

Executive Summary

Purpose

To determine whether the costs reported by Susan E. Wagner Preschool (Wagner), aka the Northeast Bronx Day Care Center Inc., on its Consolidated Fiscal Reports (CFRs) were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the State Education Department's (SED) Reimbursable Cost Manual (Manual). The audit included expenses claimed on Wagner's CFR for fiscal year ended June 30, 2014, and certain expenses claimed on Wagner's CFRs for the two fiscal years ended June 30, 2013.

Background

Wagner is a Bronx, New York not-for-profit organization that was approved by SED to provide Special Education Itinerant Teacher (SEIT), full-day and half-day Special Class (SC), and full-day Special Class in an Integrated Setting (SCIS) preschool special education programs to children with disabilities who are between the ages of three and five years. Wagner discontinued its SEIT program at the end of fiscal year 2011-12. During the 2013-14 year, Wagner served about 308 students. The New York City Department of Education (DoE) refers students to Wagner based on clinical evaluations, and pays for their services using rates established by SED. The rates are based on the financial information that Wagner reports to SED on its annual CFRs. SED reimburses DoE for a portion of its payments to Wagner based on statutory rates. Reimbursable costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the three fiscal years ended June 30, 2014, Wagner reported approximately \$17.1 million in reimbursable costs for the audited cost-based programs.

In addition to the SEIT, SC, and SCIS preschool special education programs, Wagner operated three other SED programs: Evaluations, Related Services, and 1:1 Aides. However, payments for services under these other programs were based on fixed fees, as opposed to the cost-based rates established through CFR-reported financial information. Wagner also operated a Universal Pre-Kindergarten program, a Head Start program, and a private day care program.

Key Findings

For the three fiscal years ended June 30, 2014, we identified \$140,902 in reported costs that did not comply with the Manual's requirements and recommend such costs be disallowed. These ineligible costs included \$39,709 in personal service costs and \$101,193 in other than personal service (OTPS) costs, as follows:

- \$81,370 in real estate taxes. According to a lease agreement, Wagner was only responsible for the payment of real estate taxes above the base year amount;
- \$39,709 in unsupported and/or ineligible compensation costs for six employees;
- \$18,650 in inadequately documented consultant costs; and
- \$1,173 in ineligible staff food costs.

Key Recommendations

To SED:

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

To Wagner:

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

Other Related Audits/Reports of Interest

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

[Institutes of Applied Human Dynamics: Compliance With the Reimbursable Cost Manual \(2014-S-39\)](#)

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

Division of State Government Accountability

November 17, 2016

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

Dr. Joyce James
Executive Director
Susan E. Wagner Preschool
4102 White Plains Road
Bronx, NY 10466

Dear Ms. Elia and Dr. James:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and effectively. By so doing, it provides accountability for the 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, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the costs submitted by the Susan E. Wagner Preschool to the State Education Department for the purposes of establishing preschool special education tuition reimbursement rates. 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 Susan E. Wagner Preschool (Wagner), aka the Northeast Bronx Day Care Center Inc., is a Bronx, New York not-for-profit organization that was approved by SED to provide Special Education Itinerant Teacher (SEIT), full-day and half-day Special Class (SC), and full-day Special Class in an Integrated Setting (SCIS) preschool special education programs to children with disabilities who are between the ages of three and five years. Wagner discontinued its SEIT program at the end of fiscal year 2011-12. For purposes of this report, these programs are collectively referred to as the SED cost-based programs. During the 2013-14 school year, Wagner served about 308 students.

The New York City Department of Education (DoE) refers students to Wagner based on clinical evaluations, and pays for Wagner's services using rates established by SED. The rates are based on the financial information that Wagner reports to SED on its annual Consolidated Fiscal Reports (CFRs). The State, in turn, reimburses the DoE 59.5 percent of the statutory rate paid to Wagner. To qualify for reimbursement, Wagner'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. The Manual requires that reimbursable costs be reasonable, necessary, directly related to the special education program, and sufficiently documented.

Chapter 545 of the Laws of 2013 authorizes the State Comptroller to audit the expenses reported to SED by preschool special education service providers for preschool students with disabilities. For the three fiscal years ended June 30, 2014, Wagner reported approximately \$17.1 million in reimbursable costs for the SED cost-based programs. Our audit focused on the fiscal year ended June 30, 2014. However, we expanded our review to include certain costs claimed on the CFRs for the two fiscal years ended June 30, 2013.

In addition to the SEIT, SC, and SCIS preschool special education programs, Wagner operated three other SED programs: Evaluations, Related Services, and 1:1 Aides. However, payments for services under these other programs were based on fixed fees, as opposed to the cost-based rates established through CFR-reported financial information. Wagner also operated a Universal Pre-Kindergarten program, a Head Start program, and a private day care program.

Audit Findings and Recommendations

For the three fiscal years ended June 30, 2014, we identified \$140,902 in reported costs that did not comply with the Manual's requirements for reimbursement. The ineligible costs included \$39,709 in personal service costs and \$101,193 in other than personal service (OTPS) costs (see Exhibit at the end of this 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 an agency's payroll, must be reported on the provider's CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). During the three fiscal years ended June 30, 2014, Wagner reported \$10.9 million in reimbursable personal service costs. We identified \$39,709 in personal service costs that did not comply with the Manual's guidelines for reimbursement, as follows:

Unsupported and Ineligible Expenses

The Manual states that costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. Costs will not be reimbursable on field audit without appropriate written documentation of such costs. During the fiscal year ended June 30, 2014, we identified compensation costs totaling \$39,709 that did not comply with the applicable provisions of the Manual, as follows:

- \$33,047 in costs related to four teacher aides/assistants. Wagner could not provide sufficient payroll records to support these costs; and
- \$6,662 in costs for two teacher aides/assistants whose compensation was over-allocated to the SED cost-based programs.

Consequently, we recommend that SED disallow the \$39,709 because these costs did not comply with the Manual.

Other Than Personal Service Costs

According to the Manual, costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the three fiscal years ended June 30, 2014, Wagner reported \$6.2 million in OTPS expenses to the SED cost-based programs. We identified \$101,193 of these expenses that did not comply with the requirements in the Manual.

Real Estate Taxes

During the three fiscal years ended June 30, 2014, Wagner leased space at two locations. For one of the locations, the lease agreement stipulated that Wagner, as the tenant, was responsible for paying rent (including real estate taxes), repairs, and maintenance expenses. In addition, Wagner was responsible for paying any increase in real estate taxes over the base year's amount. However, we found that Wagner paid a total of \$86,688 in real estate taxes, which included \$81,370 for which it was not responsible. Instead of paying the amount of real estate tax increases (or the amounts above the base year's taxes), as prescribed by the lease, Wagner paid all of the real estate taxes assessed on this particular property.

Consequently, we recommend that SED disallow the \$81,370 in excess real estate taxes because Wagner was not required to pay such taxes under the lease agreement. Wagner officials agreed that the lease provisions did not obligate them to pay the real estate taxes on the property.

Inadequately Documented Consultant Costs

The Manual states that costs will not be reimbursable on field audit without appropriate written documentation of such costs. Adequate documentation for consultant costs includes, but is not limited to, a consultant's resume and a written contract that includes the nature of the services to be provided. Moreover, 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, the fee per hour, and the total amount charged.

For the two fiscal years ended June 30, 2013, Wagner retained and paid a consultant \$18,650 to provide accounting services. We found that the invoices provided to Wagner by the consultant did not indicate the specific accounting services provided, the number of hours worked, and the hourly fee charged, as required by the Manual. Instead, the invoices simply listed recurring monthly billings for "accounting services rendered." Moreover, Wagner could not provide a contract for the consultant's services, as required by the Manual. Therefore, we recommend that SED disallow the \$18,650 in consultant costs.

Staff Food

The Manual states that the cost of food provided to staff is not reimbursable. During the three fiscal years ended June 30, 2013, Wagner provided meals to staff members during on-site meetings and staff development training sessions at a cost of \$1,173. We recommend that SED disallow these non-reimbursable costs.

Recommendations

To SED:

1. Review the recommended disallowances resulting from our audit and make the appropriate

adjustments to the costs reported on Wagner's CFRs and to Wagner's reimbursement rates.

2. Work with Wagner officials to help ensure their compliance with the provisions in the Manual.

To Wagner:

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

Audit Scope and Methodology

We audited the costs reported on Wagner's CFRs to determine whether they were reasonable, necessary, directly related to the special education programs, and sufficiently documented pursuant to SED's Manual. The audit included all claimed expenses for the fiscal year ended June 30, 2014, and certain expenses claimed on Wagner's CFRs for the two fiscal years ended June 30, 2013.

To accomplish our objective, we reviewed the Manual and the Consolidated Fiscal Reporting and Claiming Manual, Wagner's CFRs, and relevant financial records for the audit period. We also interviewed Wagner's officials, staff, and independent auditors to obtain an understanding of Wagner's financial and business practices. To complete our audit work, we selected a judgmental sample of costs reported by Wagner for review. Our sample took into account the relative materiality and risk of the various costs reported by Wagner. We assessed the sample of reported costs to determine whether they were reasonable, necessary, directly related to the special education program, and sufficiently documented. Our review of Wagner's internal controls focused on the controls over the CFR preparation process.

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

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law.

Reporting Requirements

We provided draft copies of this report to SED and Wagner officials for their review and formal comment. Their comments were considered in preparing this final report and are attached to it. In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. In their response, however, Wagner officials challenged most of our report's findings and recommended disallowances. Our rejoinders to certain Wagner comments are included in the report's State Comptroller's Comments.

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

Contributors to This Report

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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

**Susan E. Wagner Preschool
Schedule of Submitted and Disallowed Program Costs
for the 2011-12, 2012-13, and 2013-14 Fiscal Years**

Program Costs	Amount Per CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct	\$10,106,797	\$39,709	\$10,067,088	
Agency Administration	752,038	0	752,038	
Total Personal Services	\$10,858,835	\$39,709	\$10,819,126	A,C,D
Other Than Personal Services				
Direct Care	\$6,092,036	\$98,787	\$5,993,249	
Agency Administration	154,736	2,406	152,330	
Total Other Than Personal Services	\$6,246,772	\$101,193	\$6,145,579	A,B,E
Total Program Costs	\$17,105,607	\$140,902	\$16,964,705	

Notes to Exhibit

The following Notes refer to specific sections of SED's Reimbursable Cost Manual used to develop our recommended disallowances. We summarized the applicable sections to explain the basis for each disallowance. We provided the details supporting our recommended disallowances to SED and Wagner 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 special education program, and sufficiently documented.
- B. Section II.22.C. - Costs of food provided to any staff including lunchroom monitors are not reimbursable.
- C. Section III (1). - Costs will not be reimbursable on a field audit without appropriate written documentation. Actual hours of service are the preferred statistical basis upon which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies. If hours of service cannot be calculated or a time study cannot be done then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized.
- D. 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. Employee time sheets must be signed by the employee and a supervisor, and must be completed at least monthly.
- E. Section III.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, charge per day and service dates. All payments must be supported by itemized invoices which indicate the specific services actually provided; and for each service, the date(s), number of hours provided, the fee per hour; and the total amount charged.

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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October 13, 2016

Mr. Kenrick Sifontes
Audit Director
Office of the State Comptroller
Division of State Government Accountability
110 State Street – 11th Floor
Albany, NY 12236

Dear Mr. Sifontes:

The following is the New York State Education Department's (Department) response to the draft audit report, 2015-S-100, Compliance with the Reimbursable Cost Manual: Susan E. Wagner Preschool (Wagner).

Recommendation 1: Review the recommended disallowances resulting from our audit and make the appropriate adjustments to the costs reported on Wagner's CFRs and to Wagner's reimbursement rates.

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

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

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

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

Sincerely,


Sharon Cates-Williams

c: Christopher Suriano
Suzanne Bolling

Agency Comments - Susan E. Wagner Preschool

Northeast Bronx Day Care Center, Inc.
SPONSOR OF THE
 Susan E. Wagner Day Care Center & Day Schools
 Universal Pre-Kindergarten, Head Start,
 Pre-School Special Education

◆ 4102 White Plains Rd	◆ Bronx, New York 10466	◆ (718) 547-0501
◆ 1140 East 229 Street	◆ Bronx, New York 10466	◆ (718) 547-1735
◆ 5401 Post Road	◆ Bronx, New York 10471	◆ (718) 601-5401
◆ 1732 Davidson Avenue	◆ Bronx, New York 10453	◆ (718) 299-6892
◆ 3440 White Plains Road	◆ Bronx, New York 10466	◆ (718) 655-5500
<i>Daisy George</i> Founder	<i>Marcia Weekes</i> Board President	<i>Dr. Joyce L. James</i> Executive Director

October 6, 2016

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

Dear Mr. Sifontes:

Below please find our response to draft report 2015-S-100. We wish to acknowledge the professionalism accorded to our agency by your staff.

AUDIT RESPONSE

Personal Service Costs: Unsupported and Ineligible Expenses

Audit Findings:

- A) **\$33,047 in costs related to four teacher aides/assistants. Wagner could not provide payroll records to support these costs; and**
- B) **\$6,662 in costs for two teacher aides/assistants whose compensation was over-allocated to the SED cost-based programs.**

Susan Wagner's Response:

- A) Susan Wagner provided all payroll records requested by the field auditors. It is our policy to pay employees upon receipt of proper documentation, such as, employee time card, proper authorization of payment, signed W-4 Forms, etc. To the best of our knowledge we did not pay any employee without the above listed payroll documents.

The disallowed costs indicated in the report represent the allocated salaries of teacher aides/assistants (paraprofessionals) who work as floaters (substitutes) for both, SED and UPK programs. As we mentioned during the field audit, it is very important to maintain the teacher-student ratio in every classroom. It is a question, not only of quality, but the safety of the students.

*See State Comptroller's Comments, page 17.

* Comment 1

We have 8 SED classrooms with 24 teaching personnel at the location in question. The reality is that there is absenteeism, and lateness; we use floaters to maintain compliance with staffing mandates—floaters play a vital role. We allocated the floater’s salary (about 45%) to the SED program and provided the auditors with appropriate payroll and daily attendance records to support the full salaries. The question was: “How do we prove that the floater used 45% of her time for the SED program?” At this location we have a total of 14 class rooms with approximately 40 teaching personnel. Although SED has the majority of classrooms with teaching personnel (57%) we allocated only 45% of the cost of the floater. In our opinion this allocation is reasonable and fair.

*
Comment
2

- B) In anticipation of operating two fully registered half day classes, we employed teaching personnel for that room. However, our enrollment was insufficient for the afternoon half-day class. After having committed to the teacher for full day, it was not fair, nor reasonable nor legal to pay the teaching personnel only 50% of their salary. The classroom team spent the hours of the afternoon session, in preparation for their students.

*
Comment
3

In light of the above explanations, we are requesting that you reconsider your findings.

Other than Personal Service Costs: Inadequately Documented Consultant Costs

Audit Finding:

For the two fiscal years ended June 30, 2013, Wagner retained and paid a consultant \$18,650 to provide accounting services. We found that the invoices provided to Wagner by the consultant did not indicate the specific accounting services provided, the number of hours worked, and the hourly fee charged, as required by the Manual. Instead, the invoices simply listed recurring monthly billings for “accounting services rendered.” Moreover, Wagner could not provide a contract for the consultant’s services, as required by the Manual. Therefore, we recommend that SED disallow the \$18,650 in consultant costs.

Susan Wagner’s Response:

Beginning Fiscal Year 2007 management contracted an experienced CPA for two days a week. His primary focus was to ensure that the Agency was fiscally compliant with regard to the special education program—including preparation of the year end Consolidated Fiscal Report (CFR). Accordingly, a contract was written with detailed job description (responsibilities) including professional fees and signed by both parties. The consultant provided oversight to the fiscal department and discharged his responsibilities very effectively. The contract was verbally extended through September 2013. Given our low reimbursement rate our intent was to reduce administrative costs, provide maximum services to children and exercise good stewardship with limited resources.

During the audit we provided the auditors with the consultant’s 2006-07 signed contract. Also, we explained that the consultant performed as per the signed agreement of FY 2006-07 which included preparation of the CFR. Basically he acted as the CFO of Susan Wagner, although he came only two days a week. His assumed job title itself explains the nature of assignments he performed. Each year his signature was affixed to the submitted CFR. Above all, according to accounting consultants’ market rates, the preparation cost of a CFR alone by an efficient consultant costs more than \$25,000 annually. We think our cost of \$18,650 **over a two year period** is very reasonable, justifiable and valid.

*
Comment
4

We are requesting that you reconsider your decision to disallow the above cost.

Other than Personal Service Costs: Staff Food

Audit Finding:

The Manual states that the cost of food provided to staff is not reimbursable. During the three fiscal years ended June 30, 2013, Wagner provided meals to staff members during on-site meeting and staff development training sessions at a cost of \$1,173. We recommend that SED disallow these non-reimbursable costs.

Susan Wagner's Response:

Susan Wagner does not buy or reimburse food cost to employees except for professional development conferences. In fiscal year 2011-12 and 2012-13 we held Agency (Department) sponsored symposiums/staff training sessions for disseminating educational information which is a mandatory requirement of the New York City Department of Education. Administrative staff do not attend this symposium unless they play any specific role. Our staff from other sites assembled at our central location at 4102 White Plains Road for the training. For most of them, in a practical sense, it **was** an off-site training. The "Reimbursable Cost Manual (RCM)" limits off-site conferences to three meetings within a 12-month period for any individual. The RCM does not limit valid, mandatory professional development costs as long they are reasonable and consistent with New York State guidelines.

*
Comment
5

Providing the lunch at the professional development meeting, enabled us to maximize productivity by reducing the amount of time staff spent searching for food. By offering lunch, staff were able to engage in collegial discussion during their standard 45-minute lunch break. In this way, we were able to save both time and money. Further, for all but 18 staff members (those who work at the location where the conference was held), this **was** an off-site event and adheres to the guidelines in the RCM.

*
Comment
5

If you must disallow costs, it should only be for those 18 persons; however, we are requesting that the full amount be determined reimbursable.

*
Comment
6

State Comptroller's Comments

1. We acknowledge the receipt of certain payroll records, as well as the importance of maintaining appropriate teacher-student ratios in each classroom. However, Wagner officials did not provide sufficient payroll documentation to support all of the personal service costs claimed on the CFRs they submitted to SED.
2. Wagner officials did not maintain adequate allocation records to support the methodology used to allocate certain personal service costs that were charged to the SED cost-based programs. In the absence of adequate supporting documentation, we used the ratio-value method (a methodology approved by SED) to allocate costs to the SED cost-based programs. Based on our calculations, we concluded that Wagner over-allocated expenses to the SED cost-based programs, as detailed in the report.
3. We maintain that the purported enrollment shortfalls in Wagner's half-day afternoon classes did not provide sufficient basis for Wagner to charge the teachers' costs to the SED cost-based programs. In addition, Wagner could not provide documentation to show that afternoon session hours were spent preparing for students. Moreover, because of enrollment shortfalls, there is considerable risk that Wagner exceeded the SED-approved teacher-student ratios for the half-day afternoon classes.
4. Wagner officials provided a contract for the fiscal year ended June 30, 2007, rather than for the period of the audit (the three fiscal years ended June 30, 2014). Moreover, as stated on page 7 of our report, the Manual requires consultant costs to be supported by itemized invoices that note the number of hours worked and the hourly fee rate charged. Wagner officials, however, could not provide itemized invoices that met the Manual's requirements.
5. The assertion is inaccurate. The Manual only allows reimbursement for off-site conference costs. Wagner's staff conference, however, was not held at an off-site location; instead, it was held at Wagner's central office.
6. We disagree. According to the Manual, food provided at an on-site conference is not allowable.