



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
JCC of Mid-Westchester**



Report 2016-S-21

December 2016

Executive Summary

Purpose

To determine whether the costs reported by JCC of Mid-Westchester (JCC) on its Consolidated Fiscal Reports (CFRs) were properly calculated, adequately documented, and allowable under the State Education Department's (SED) guidelines, including the Reimbursable Cost Manual (RCM). The audit covered the three fiscal years ended June 30, 2014.

Background

JCC is a not-for-profit organization located in Scarsdale, New York, that offers a variety of services to children and adults in the community, including health, fitness, art, music, social, cultural, and educational programs. JCC is authorized by SED to provide preschool special education services to children with disabilities between the ages of three and five years. JCC is reimbursed for these services through rates set by SED. These reimbursement rates are based on financial information, including costs, that JCC reports to SED on its annual CFR. To be eligible for reimbursement, reported costs must comply with the RCM requirements. For the three fiscal years ended June 30, 2014, JCC reported approximately \$5.4 million in reimbursable costs on its CFRs for its rate-based preschool special education programs that served 191 students.

Key Findings

For the three fiscal years ended June 30, 2014, JCC claimed \$90,900 in ineligible costs for its rate-based preschool special education programs. The ineligible costs included:

- \$26,923 in personal service costs that consisted of staffing for teacher aides in excess of approved staffing ratios, incorrectly allocated salaries and fringe benefits, personal commuting expenses, ineligible employee bonuses, and compensation from a prior year; and
- \$63,977 in other than personal service costs that consisted of non-allowable depreciation, incorrectly allocated administrative expenses, non-reimbursable interest, and other non-reimbursable expenses.

Key Recommendations

To SED:

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

To JCC:

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

Other Related Audits/Reports of Interest

[Kidz Therapy Services, PLLC: Compliance With the Reimbursable Cost Manual \(2015-S-63\)](#)

[Easter Seals New York: Compliance With the Reimbursable Cost Manual \(2015-S-27\)](#)

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

Division of State Government Accountability

December 29, 2016

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

Ms. Karen Kolodny
Executive Director
JCC of Mid-Westchester
999 Wilmot Road
Scarsdale, NY 10583

Dear Ms. Elia and Ms. Kolodny:

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

Following is a report of our audit of the costs submitted by JCC of Mid-Westchester to the State Education Department for the purpose of establishing preschool special education tuition reimbursement rates used to bill public funding sources that are supported by State aid payments, entitled *Compliance With the Reimbursable Cost Manual*. 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 report, please feel free to contact us.

Respectfully submitted,

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

Table of Contents

Background	4
Audit Findings and Recommendations	5
Personal Service Costs	5
Other Than Personal Service Costs	6
Recommendations	8
Audit Scope and Methodology	8
Authority	9
Reporting Requirements	9
Contributors to This Report	10
Exhibit	11
Notes to Exhibit	12
Agency Comments - State Education Department	14
Agency Comments - JCC of Mid-Westchester	15

State Government Accountability Contact Information:

Audit Director: Andrea Inman

Phone: (518) 474-3271

Email: StateGovernmentAccountability@osc.state.ny.us

Address:

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

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

Background

The JCC of Mid-Westchester (JCC) is a not-for-profit organization located in Scarsdale, New York, that offers a variety of services to children and adults in the community, including health and fitness programs, art and music programs, social and cultural programs, and education programs. JCC is authorized by the State Education Department (SED) to provide preschool special education services to children with disabilities between the ages of three and five years. For the three-year period ended June 30, 2014, JCC operated five SED rate-based preschool special education programs: Preschool Special Class – over 2.5 hours per day; Preschool Special Class – 2.5 hours per day; Preschool Integrated Special Class – over 2.5 hours per day; Preschool Integrated Special Class – 2.5 hours per day; and Preschool Special Education Itinerant Teacher services (collectively referred to as the Programs). The Programs served 191 children in Westchester County.

Counties that use JCC's preschool special education services pay tuition to JCC using reimbursement rates set by SED. The State, in turn, reimburses the counties 59.5 percent of the tuition that counties pay. SED sets the special education tuition rates based on financial information, including costs, reported by JCC on the annual Consolidated Fiscal Reports (CFRs) it submits to SED. Costs reported on the CFR must comply fully with the guidelines in SED's Reimbursable Cost Manual (RCM) regarding the eligibility of costs and documentation requirements, and must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). For the three fiscal years ended June 30, 2014, JCC reported approximately \$5.4 million in reimbursable costs on its CFRs for the Programs.

Audit Findings and Recommendations

According to the RCM, costs reported on the CFR are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and adequately documented. For the three fiscal years ended June 30, 2014, we identified \$90,900 in costs that did not comply with SED's requirements for reimbursement, including \$26,923 in personal service costs and \$63,977 in other than personal service (OTPS) costs.

Personal Service Costs

For the three fiscal years ended June 30, 2014, we identified \$26,923 in personal service costs that JCC reported on its CFRs that did not meet SED's requirements for reimbursement. The ineligible costs included \$17,738 for staff costs that exceeded approved staffing ratios, \$5,443 for incorrectly allocated salaries and fringe benefits, \$1,922 for personal commuting expenses, \$1,613 for ineligible employee bonuses, and \$207 for compensation from a prior year.

Excessive Teacher Aide Compensation

According to the RCM, staff-to-student ratios are defined in Part 200 of the Commissioner of Education's Regulations as well as in each program's programmatic approval letter from SED's Office of Special Education-Special Education Quality Assurance. Direct care personnel in excess of, or not prescribed by, such ratios are not reimbursable unless supported by the student's Individualized Education Program (IEP) requirements and the program-generated summary data relating to those IEPs.

We reviewed staffing levels reported by JCC against SED-approved staffing ratios. For the fiscal year ended June 30, 2014, we identified \$17,738 in personal service costs for teacher aides that exceeded the approved staffing ratios for the Programs. SED previously identified a portion of these costs as ineligible for reimbursement.

Incorrectly Allocated Salaries and Fringe Benefits

The RCM states that an expenditure that cannot be charged to a specific program must be allocated across all programs that benefited from the expenditure. Entities must use allocation methods that are fair and reasonable and allocation percentages should be reviewed on an annual basis and adjusted, if necessary. For the three fiscal years ended June 30, 2014, we identified \$5,443 in excess personal service expenses that occurred because JCC allocated costs based on incorrect administrative square footage and incorrect administrative payroll percentages. The correct administrative square footage and payroll percentages were both lower than the percentages JCC used to allocate housekeeping and maintenance staff salaries and fringe benefits.

Transportation for Personal Commuting Expenses

According to the RCM, expenses of a personal nature, known as perquisites (or perks), are not

reimbursable. We identified \$1,922 on the CFRs for the fiscal years ended June 30, 2013 and June 30, 2014 for a transportation allowance provided to the Executive Director for her personal commuting expenses to and from work. The transportation allowance is stipulated in the Executive Director's employment agreement and is considered part of her overall compensation. However, because it is reimbursement for personal commuting expenses, a perk, it is not reimbursable.

Ineligible Bonus Pay

According to the RCM, a merit award (or bonus compensation) is restricted to direct care employees and certain non-direct care employees. For the fiscal year ended June 30, 2014, JCC reported \$1,613 in bonus pay to the Executive Director on the CFR; however, this title does not meet the RCM criteria for reimbursement.

Compensation for Prior Year Expenses

The CFR Manual states that only expenses and revenues for the proper CFR reporting period should be included on the CFR. Expenses and revenues for a different reporting period are not reimbursable. For the fiscal year ended June 30, 2014, we identified \$207 in compensation to a staff administrator that was actually an accrual for an expense from the prior fiscal year.

Other Than Personal Service Costs

For the three fiscal years ended June 30, 2014, we identified \$63,977 in OTPS costs that JCC reported on its CFRs that did not meet SED's requirements for reimbursement. This included \$14,196 in non-allowable depreciation, \$10,172 for incorrectly allocated administrative expenses, \$6,193 in non-reimbursable interest, and \$33,416 for other expenses that were not properly documented or were otherwise not allowable under SED's requirements.

Ineligible Depreciation Costs

According to the RCM, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and supported by the appropriate documentation. The RCM also states that the portion of the cost of building construction, acquisition, renovation, or equipment funded by a government grant cannot be reimbursed again through depreciation of these costs. For the three fiscal years ended June 30, 2014, we identified \$14,196 in depreciation reported by JCC that was ineligible for reimbursement. Of this amount, \$7,389 was due to lack of appropriate supporting documentation. An additional \$4,856 was for depreciation of items not directly related to the Programs. This included purchases related to JCC's gymnastics program and spa, treadmills for the sports and fitness program, and a bronze sculpture that JCC placed in the front of its building. Last, we identified \$1,951 in Program-related items that were purchased with a federal government grant, and as such, these costs were not eligible for reimbursement through the tuition rate.

Incorrectly Allocated Administration Expenses

Similar to the personal service disallowances for incorrectly allocated salaries and fringe benefits, for the three fiscal years ended June 30, 2014, we identified \$10,172 in excess OTPS expenses that occurred because JCC allocated costs based on incorrect administrative square footage and incorrect administrative payroll percentages. The correct administrative square footage and payroll percentages were both lower than the percentages JCC used to allocate utilities, computer purchases, security and security guard expenses, depreciation, payroll data processing, and metropolitan mobility tax expenses.

Ineligible Mortgage Interest Expenses

According to the CFR Manual, the Mortgage Expense line of the CFR should contain the expenses associated with obtaining a mortgage or real property. Additionally, the CFR Manual stipulates that interest expense on loans for operational expenses should be classified as an administration expense. For the three fiscal years ended June 30, 2014, we identified \$6,193 in mortgage interest expenses that were ineligible for reimbursement because JCC over-allocated mortgage interest expense and included interest related to general working capital loans as a Program-specific expense on the CFR. Specifically, for all three fiscal years, JCC allocated a portion of mortgage interest expenses as a Program-specific expense, while also allocating the full amount as an administration cost. In addition, the mortgage interest expense allocated as Program-specific included interest on loans to fund pension fund and medical plan contributions, which should have been allocated fully as an administration cost.

Other Non-Reimbursable Expenses

According to the RCM, costs are reimbursable provided such costs are reasonable, necessary, directly related to the special education program, and properly documented. In addition, expenses for food, gifts, donations, bad debts, fundraising, and entertainment are not reimbursable. The CFR Manual also states that only expenses and revenues for the proper CFR reporting period should be included on the CFR; expenses and revenues for a different reporting period are not reimbursable. For the three fiscal years ended June 30, 2014, we identified \$33,416 in costs that were ineligible for reimbursement because they were not in compliance with the RCM or CFR Manual requirements. The ineligible costs included the following:

- \$20,833 in expenses that were not Program-related (i.e., expenses were for the JCC gymnastics program);
- \$8,027 in bad debt expenses;
- \$2,126 in food expenses for staff and Board meetings;
- \$1,162 in fundraising expenses; and
- \$1,268 in other miscellaneous expenses, including \$484 in costs that were unsupported, \$371 in costs related to a staff party, \$279 in unnecessary costs (i.e., late fees), \$77 in costs for a prior year, \$43 in donations, and \$14 in gifts.

Prior to the audit, SED made certain adjustments to the reported food and bad debt expenses for the three fiscal years ended June 30, 2014.

Recommendations

To SED:

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

To JCC:

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

Audit Scope and Methodology

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

To accomplish our objective, and assess internal controls related to our objective, we reviewed the RCM, as well as the CFR Manual and its related appendices. We also became familiar with JCC's internal controls as they related to costs it reported on the CFRs. We reviewed JCC's CFRs for the three fiscal years ended June 30, 2014 as well as its audited financial statements for these periods. We interviewed JCC officials and staff to obtain an understanding of their financial practices relating to the costs reported on JCC's CFRs. We obtained accounting records and supporting information to assess whether costs reported by JCC on the CFRs were properly calculated, adequately documented, and allowable. Specifically, we reviewed costs that were considered high risk and reimbursable in limited circumstances, such as employee bonuses, depreciation expenses, and mortgage expenses.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained 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 functions do not affect our ability to conduct independent audits of program performance.

Authority

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

Reporting Requirements

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

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

Contributors to This Report

Andrea Inman, Audit Director
Ed Durocher, Audit Manager
Karen Bogucki, Audit Supervisor
Devisha Gujjar, Examiner-in-Charge
Anthony Calabrese, Senior Examiner
Innocentia Freeman, Senior Examiner

Division of State Government Accountability

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

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

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

Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Exhibit

**JCC of Mid-Westchester
Schedule of Submitted and Disallowed Program Costs
for the Three Fiscal Years Ended June 30, 2014**

Program Costs	Amount Per CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$4,163,992	\$17,738	\$4,146,254	
Administration	466,804	9,185	457,619	
Total Personal Services	\$4,630,796	\$26,923	\$4,603,873	A-E
Other Than Personal Services				
Direct Care	\$394,419	\$14,085	\$380,334	
Administration	364,957	49,892	315,065	
Total Other Than Personal Services	\$759,376	\$63,977	\$695,399	B, E-P
Total Program Costs	\$5,390,172	\$90,900	\$5,299,272	

Notes to Exhibit

The following Notes refer to specific sections of the RCM and CFR Manual that we used as a basis for our recommended disallowances. We summarized the applicable sections to explain the basis for each disallowance. We provided the details supporting our recommended disallowances to SED and JCC officials during the course of the audit.

- A. RCM Section I.6: Staff-to-student ratios are defined in Part 200 of the Commissioner's Regulations. A specific approved program's student-to-staff ratio is also defined in that program's programmatic approval letter from the Office of Special Education-Special Education Quality Assurance. Direct care personnel in excess of, or not prescribed by such ratios, are not reimbursable, unless supported by the student's IEP requirements and the program generated summary data relating to those IEPs. A Department programmatic review and approval of variations from these ratios is required for costs of additional staff to be reimbursable.
- B. CFR Manual Section 3: Only expenses and revenues for the proper CFR reporting period should be included in the CFR. CFRs submitted with expenses and revenues for a different reporting period will not be accepted.
- C. RCM Section II.13.A(6): Expenses of a personal nature, such as a residence or personal use of a car, known as perquisites (or perks), are not reimbursable. When costs are disallowed because they are of a personal nature, providers should inform the employee(s) in writing, that the employee(s) must refund the disallowed costs to the provider within a date certain. If the employee(s) fails to do so, the amount should be recovered through a reduction in compensation.
- D. RCM Section II.13.A(10): A merit award (or bonus compensation) shall mean a non-recurring and non-accumulating (i.e., not included in the base salary of subsequent years) lump sum payment in excess of regularly scheduled salary which is not directly related to hours worked. A merit award may be reimbursed if it is based on merit as measured and supported by employee performance evaluations. In addition, merit awards are restricted to direct care titles/employees.
- E. RCM Section III.1.M(2): Entities operating programs must use allocation methods that are fair and reasonable, as determined by the Commissioner's fiscal representatives. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year for review upon audit for a minimum of seven years. Allocation percentages should be reviewed on an annual basis and adjusted as necessary.
- F. RCM Section II: Generally, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program and are sufficiently documented.
- G. RCM Section II.17.A(7): The portion of the cost of building construction, acquisition, renovation or equipment cost funded by a government grant or other public funding cannot be reimbursed again through depreciation of these costs. The asset cost must be reduced by the amount of the grant(s) and the balance depreciated in accordance with this Manual.

- H. CFR Manual Section 13: CFR 1 Line 54 Mortgage Expenses – The expense associated with obtaining a mortgage, e.g., attorney fees, recording costs, transfer taxes, and service charges including finder’s fees and placement fees.
- I. CFR Manual Section 15: CFR 3 Line 31 Mortgage Expenses – Any agency administration mortgage expenses.
- J. RCM Section II.6: Bad debt expenses are not reimbursable. Actual or estimated losses resulting from uncollectible accounts or other claims, including related finance charges are not reimbursable operating expenses for Article 81 and/or Article 89 funded programs.
- K. RCM Section II.16: Political and charitable contributions and donations made by the program are not reimbursable.
- L. RCM Section II.22(C): Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- M. RCM Section II.30(C): Costs for food, beverages, entertainment and other related costs for meetings, including Board meetings, are not reimbursable.
- N. RCM Section II.23: Costs of organized fund raising (i.e., financial campaigns, endowment drives, or solicitation of gifts and bequests) to raise capital, or to obtain contributions are not reimbursable.
- O. RCM Section II.24: Gifts of any kind are non-reimbursable.
- P. RCM Section II.20(B): All personal expenses, such as personal travel expenses, laundry charges, beverage charges, gift certificates to staff and vendors, flowers or parties for staff, holiday parties, repairs on personal vehicle, rental expenses for personal apartments, etc. are not reimbursable unless specified otherwise in this Manual.

Agency Comments - State Education Department



THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
O: 518.473-4706
F: 518.474-5392

December 19, 2016

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

Dear Ms. Inman:

The following is the New York State Education Department's (Department) response to the draft audit report, 2016-S-21, Compliance with the Reimbursable Cost Manual: JCC of Mid-Westchester (JCC).

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

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

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

We agree with this recommendation. The Department will continue to provide technical assistance whenever requested and will strongly recommend that the JCC 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 - JCC of Mid-Westchester



Pamela A. Madeiros
518-689-1421
madeirosp@gtlaw.com

December 13, 2016

VIA ELECTRONIC MAIL

Andrea Inman
Audit Director
Office of the State Comptroller
Division of State Government Account ability
110 State Street, 11th Floor
Albany, New York 12236

Re: State Education Department
Compliance With the Reimbursable Cost Manual
JCC of Mid-Westchester Nursery School
Report 2016-S-21
Draft Audit Report

Dear Ms. Inman:

We have reviewed the above-referenced Draft Audit Report relating to costs reported on the CFR for the three fiscal years ending June, 2014, and appreciate the opportunity to provide comment and context to the findings provided therein. While the JCC of Mid-Westchester Nursery School ("the Nursery School") does not challenge many of the findings, we do challenge select findings and recommendations as set out below.

Personal Service Costs

Teacher Aides

We do not challenge the proposed disallowance of \$17,738 associated with program 9115 and have strengthened our internal controls to assure that teacher aid staffing assignments are aligned with approved classroom ratios and properly recorded.

We note as well that NYSED RSU adjusted these costs as reported on the CFR during the rate calculation process which prevented excessive reimbursement. We appreciate the auditors' acknowledgement of that adjustment as noted in the Draft Report.

Misallocated Salaries and Fringe Benefits

The Nursery School does not challenge the auditors' assessment that the square footage and administrative payroll allocation percentages employed by the School required further refinement. We are confident that with these refinements, statements on the CFR due to incorrect allocation percentages will be prevented.

GREENBERG TRAUIG, LLP ■ ATTORNEYS AT LAW ■ WWW.GTLAW.COM
54 State Street ■ 6th Floor ■ Albany, NY 12207 ■ Tel 518.689.1400 ■ Fax 518.689.1499

ALBANY
AMSTERDAM
ATLANTA
AUSTIN
BOCA RATON
BOSTON
CHICAGO
DALLAS
DELAWARE
DENVER
FORT LAUDERDALE
HOUSTON
LAS VEGAS
LONDON*
LOS ANGELES
MEXICO CITY*
MIAMI
MILAN**
NEW JERSEY
NEW YORK
NORTHERN VIRGINIA
ORANGE COUNTY
ORLANDO
PHILADELPHIA
PHOENIX
ROME**
SACRAMENTO
SAN FRANCISCO
SEOUL*
SHANGHAI
SILICON VALLEY
TALLAHASSEE
TAMPA
TEL AVIV*
TOKYO*
WARSAW*
WASHINGTON, D.C.
WESTCHESTER COUNTY
WEST PALM BEACH
*OPERATES AS GREENBERG TRAUIG MAHER LLP
**OPERATES AS GREENBERG TRAUIG, S.C.
*STRATEGIC ALLIANCE
*OPERATES AS GREENBERG TRAUIG LLP
FOREIGN LEGAL CONSULTANT OFFICE
*A BRANCH OF GREENBERG TRAUIG, P.A. FLORIDA, USA
*OPERATES AS GREENBERG TRAUIG HOKUSU JIKUSHO
*OPERATES AS GREENBERG TRAUIG GRZEŚNIAK SP. K.

Andrea Inman
December 13, 2016
Page | 2

Transportation Expenses

We do not challenge the auditors' proposed disallowance of \$1,922 associated with the transportation allowance awarded by the JCC Board of Directors to the JCC's Executive Director which was inadvertently reported as a Nursery School program cost and should have, instead, been fully allocated to all other JCC agency operations cost centers. The Nursery School has strengthened its internal controls to prevent the misallocation from reoccurring.

Bonus Pay

We do not challenge the auditors' proposed disallowance of \$1,613 relating to that portion of the JCC's Executive Director's bonus which was inadvertently reported as a Nursery School program cost and should have, instead, been fully allocated to all other JCC agency operation cost centers. The Nursery School has strengthened its internal control to prevent the misallocation from reoccurring.

Prior Year Expenses

We do not challenge the auditors' proposed disallowance of \$207 which reflects an accrual reporting error and are confident refined internal fiscal controls will prevent such misreporting in the future.

Other Than Personal Service Costs

Depreciation Costs

While we do not challenge the auditors' assessment that certain costs may have been misreported as eligible depreciation costs, the Nursery School is confident that newly developed fiscal protocols will assure fuller compliance with reporting requirements.

We note, however, that while the School maintains rigorous protocols to assure proper document retention, we regret that our records did not extend to purchases made in 2002 for which depreciation costs were claimed.

Allocated Administration Expenses

The Nursery School does not challenge the auditors' assessment that the square footage and administrative payroll allocation percentages employed by the School required further refinement. We are confident that with these refinements, statements on the CFR due to incorrect allocation percentages will be prevented.

Andrea Inman
 December 13, 2016
 Page | 3

Mortgage Interest Expenses

We do not challenge the auditors' determination that certain mortgage interest expenses were misreported on the CFR1 and CFR3. We are confident that newly strengthened protocols will prevent future reporting errors.

Non-Reimbursable Expenses

With minor exception, we do not challenge the auditors' determination that certain reported expenses may have lacked sufficiently supportive documentation or been mischaracterized as having been associated exclusively with the educational programming.

Accordingly, we do not challenge the auditors' proposed findings related to the enumerated categories of disallowances. However, we make note that during the rate calculation process and upon review of the CFR, NYSED RSU made certain disallowances to prevent reimbursement of specific costs, as reported; more specifically costs associated with bad debt and certain food costs as acknowledged by the auditors.

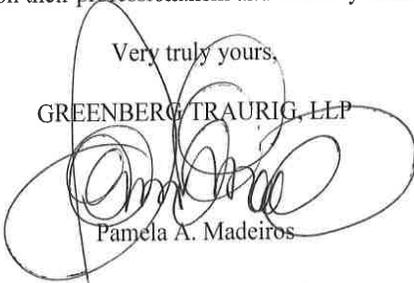
In furtherance of its commitment to full compliance the Nursery School has recently engaged a new accounting firm which specializes in educational programs and reporting requirements to strengthen its cost reporting practices and to assure fuller compliance with the Reimbursable Cost Manual. The School is confident that those additional skill sets will enhance our internal protocols and controls.

• • • • •

We appreciate the opportunity to provide comment to the Draft Report and commend the audit team on their professionalism and courtesy during the audit process.

Very truly yours,

GREENBERG TRAURIG, LLP


 Pamela A. Madeiros

PAM/le
 ALB 1982641v1

cc: Suzanne Bolling, NYSED (via e-mail)
 Thalia Melendez, NYSED (via e-mail)