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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  
Northside Center for Child  
Development**

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Report 2017-S-15

January 2019

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# Executive Summary

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## Purpose

To determine whether the costs reported by Northside Center for Child Development (Northside) on its Consolidated Fiscal Report (CFR) were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the State Education Department's (SED) guidelines including the Reimbursable Cost Manual (Manual). Our audit covered the fiscal year ended June 30, 2014.

## Background

Northside was established in 1946 and was reapproved by SED on July 1, 2012 to operate full-day Preschool Special Class (SC) and full-day Preschool Special Class in an Integrated Setting (SCIS) to children with disabilities who are between three and five years of age. For purposes of this report, these programs are collectively referred to as the SED cost-based programs. During the 2013-14 school year, Northside served 65 to 75 students from nine different school districts in its cost-based programs. Northside is reimbursed for preschool special education services through rates established by SED. The reimbursement rates are based on the financial information that Northside reports to SED on its annual CFR. To be eligible for reimbursement, reported costs must comply with the Manual's requirements and be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the fiscal year ended June 30, 2014, Northside reported approximately \$2.5 million in reimbursable costs for the audited cost-based programs.

In addition to the cost-based preschool special education programs, Northside operates one other SED-approved preschool special education program: Evaluations. Payments for services under this program are based on fixed fees as opposed to reported costs on the CFR.

## Key Findings

For the fiscal year ended June 30, 2014, we identified \$270,040 in ineligible costs that Northside reported on its CFR and recommend such costs be disallowed. These ineligible costs included \$152,373 in personal service costs and \$117,667 in other than personal service costs. Among the ineligible costs identified were:

- \$75,737 in salaries charged to the cost-based programs where Northside did not provide documents to support that five employees worked for the program or the allocation of costs for one employee. The Manual requires that providers such as Northside maintain time records to support compensation costs claimed on the CFR.
- \$66,228 in non-mandated fringe benefits due to a lack of documentation regarding the allocations charged to the SC and SCIS programs. We also disallowed the Child Care Allowance because it was not proportionately similar for all employees who received the benefit.
- \$5,986 in Agency Administration costs that were unsupported: a one-time bonus payment to a non-direct care employee that was not proportionately similar for all employees, as the Manual requires, and a second payment due to an error in a journal entry resulting in increased salaries with no documentation to support the charge.

## **Key Recommendations**

### **To SED:**

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

### **To Northside:**

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

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

**Division of State Government Accountability**

January 11, 2019

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

Thelma Dye, Ph.D.  
Executive Director  
Northside Center for Child Development  
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New York, NY 10029

Dear Ms. Elia and Dr. Dye:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides 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, entitled *Compliance With the Reimbursable Cost Manual*, of our audit of the expenses submitted by Northside Center for Child Development to the State Education Department for the purposes of establishing the tuition reimbursement rates. 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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Northside Center for Child Development (Northside) was established in 1946 and was re-approved by the State Education Department (SED) on July 1, 2012 to operate full-day Preschool Special Class (SC) and full-day Preschool Special Class in an Integrated Setting (SCIS) to children with disabilities who are between three and five years of age. For purposes of this report, these programs are collectively referred to as the SED cost-based programs. During the 2013-14 school year, Northside served between 65 and 75 students.

The New York City Department of Education (DoE) refers preschool students to Northside based on clinical evaluations and pays for Northside's services using rates established by SED. The State, in turn, reimburses the DoE 59.5 percent of the reimbursement rates it pays to Northside. These rates are based on the financial information that Northside reports to SED on its annual Consolidated Fiscal Report (CFR). To qualify for reimbursement, costs reported on the CFR must comply with the criteria set forth in SED's Reimbursable Cost Manual (Manual). In addition, Northside must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (Claiming Manual). Reimbursable costs must be reasonable, necessary, and directly related to the special education program and have adequate substantiating documentation.

Section 4410-c of the Education Law provides that the State Comptroller shall audit the expenses reported to SED by special education service providers for preschool children with disabilities. For the fiscal year ended June 30, 2014, Northside reported approximately \$2.5 million in reimbursable costs for the audited cost-based programs.

In addition to the SED cost-based programs, Northside operates one other SED-approved program: Evaluations. However, payments for services under this program are based on fixed fees.

## Audit Findings and Recommendations

For the fiscal year ended June 30, 2014, we identified \$270,040 in reported costs that did not comply with the Manual's requirements for reimbursement. The ineligible costs included \$152,373 in personal service costs and \$117,667 in other than personal service (OTPS) costs. (See Exhibit at the end of the report.)

### Personal Service Costs

For the period July 1, 2013 through June 30, 2014, we examined payments to 20 employees and identified payments to 6 employees that did not comply with the applicable provisions of the Manual for reimbursement. We also reviewed non-mandated fringe benefits and found the basis for allocation was lacking documentation and two benefits charged to the cost-based programs were not allowed per the Manual. The ineligible costs included \$75,737 in salaries, \$10,408 in Agency Administration costs, and \$66,228 in non-mandated fringe benefits. In total, we recommend a disallowance of \$152,373.

#### *Time and Attendance*

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)." The Manual also requires that reimbursable compensation costs be based upon approved and documented payrolls. Payrolls must be supported by employee time records, which must be signed by both the employee and his/her supervisor and completed at least monthly. The Manual further states that costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education programs, and sufficiently documented. Costs must also have adequate substantiating documentation. Designation of a cost as reimbursable during the initial rate-setting process or during the reconciliation process does not mean that the cost will be reimbursed through the final audit rate because all rates are subject to adjustment on field audit, in accordance with Section 200.18 of the Commissioner's Regulations and the Manual. In addition, the Manual states in General Requirements Section III.1.B. that "documentation for all allocation methods (bases and percentages) must be retained for a minimum of seven years." We identified \$75,737 in compensation costs charged to the audited programs for seven employees that were not in compliance with the requirements of the Manual, as follows:

- \$41,887 in salaries for three employees who did not work in the cost-based program they were charged to.
- \$33,168 for two employees' salaries for which Northside did not have any supporting documentation.
- One employee's salary was charged 80 percent to SC. However, according to an e-mail that was obtained from Northside, the employee only spent 70 percent of their time in this program. We therefore disallowed \$682.

Northside officials agreed with some of the recommended disallowances and challenged others. In response to our draft report, they provided additional records to support the personal service costs claimed. After reviewing the additional documentation, we revised the recommended disallowances.

### *Agency Administration*

Administrative costs include salary and fringe benefit costs of persons whose primary function is management and administration of the program and/or agency in accordance with federal and State laws, Regulations of the Commissioner of Education, and/or the board of directors. According to the Claiming Manual, Agency Administration costs that are not directly related to specific programs shall be allocated to all programs operated by the entity based on the ratio value method of allocation.

For Agency Administration salaries, two expenses totaling \$44,577 were ineligible. When the ratio value allocation methodology was applied, the recommended disallowance for the cost-based programs is \$5,986.

- A journal entry of \$32,077 was charged on the General Ledger to “SALARIES-INDIRECT ADMIN, COST” with no documentation to support this charge. This resulted in a recommended disallowance of \$4,308 after the ratio value method of allocation was applied.
- A one-time bonus payment was made to one non-direct care employee. The Manual’s Cost Principles Section II.13.A.(10)(a) states that merit awards (or bonus compensation) are restricted to direct care titles/employees as defined in its Appendix A-1 and those in certain position title codes, as defined in the Claiming Manual’s Appendix R. We recommend a disallowance for the cost-based programs of \$1,678.

Northside agreed with our recommended disallowances of \$5,986 for these Agency Administration costs.

### *Non-Mandated Fringe Benefits*

We reviewed non-mandated fringe benefits and recommend disallowances of \$66,228, primarily due to a lack of documentation regarding the allocation basis and percentages used to charge the SC and SCIS programs. We also disallowed the Child Care Allowance because it was not proportionately similar for all who received the benefit: Some employees paid for this benefit as part of the payroll deduction for fringe benefits, while others received the allowance but were not subject to payroll deduction.

We originally disallowed all of the non-mandated fringe accounts due to a lack of documentation from Northside. In response to the preliminary findings, Northside provided documents to support the non-mandated fringe benefits claimed. After a thorough review of the documentation, we revised the disallowance from \$290,480 to \$66,228. The recommended disallowances, listed as follows, generally represent costs for employees where the documentation provided did not

support that these employees worked for the cost-based programs. The amounts charged to the programs we audited were as follows:

- Health Insurance Union: \$30,343 for SC.
- Health Insurance Non-Union: \$25,206 for both SC and SCIS.
- Child Care Allowance: \$6,692 for SC.
- Pension Non-Union: \$3,729 for both SC and SCIS.
- Union Job Security Fund: \$258 for SC.

Northside took particular exception to the Child Care Allowance, stating that there is no specific prohibition in providing the benefit. We maintain that the Child Care Allowance should be disallowed because it was not provided in a proportionately similar manner to all employees, as previously discussed.

According to the Manual, reimbursement of fringe benefits is subject to the principle that “benefits including pension, life insurance ... for individual employees or officers/directors are proportionately similar to those received by other classes or groups of employees.” We recommend disallowance of two non-mandated fringe benefits because they were not proportionately similar. The recommended disallowance after allocation for these two accounts are as follows:

- Child Care Allowance: \$540. This benefit was not proportionately similar because employees receive these payments as part of their union dues. However, non-union employees received this benefit and did not incur any expense to participate.
- Top Hat Plan: \$3,882. This retirement plan was only offered to agency executives and is not reimbursable under the Manual’s proportionately similar provision.

We recommend disallowance of \$4,422 for these two non-mandated fringe benefits.

## 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 fiscal year ended June 30, 2014, Northside claimed OTPS costs of \$560,839. We identified \$117,667 in various OTPS expenses that were not in compliance with the Manual.

### *Consultants*

To be reimbursed for consultant costs, the Manual requires adequate documentation that includes (but is not limited to) the consultant’s résumé, a written contract that includes the nature of the services to be provided, the charge per day, and service dates. All payments must be supported by itemized invoices that indicate the specific services actually provided and, for each service, the date(s), number of hours provided, fee per hour, and total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served, the actual dates of service, and the number of hours of service to each child on each date.

We recommend disallowance of costs totaling \$26,169 for which Northside provided either insufficient or no documentation, as follows:

- \$19,265 in costs for direct care consultants' non-contact hours.
- \$4,650 in temporary help costs.
- \$1,952 in contracted service costs.
- \$302 in petty cash expenses, costs for books that were not age appropriate, and an Agency Administration travel expense.

### *Incorrect Allocations or Charges*

According to the Manual, "final costs are determined upon field audit and will be considered for reimbursement provided that such costs are reasonable, necessary and directly related to the education program. Costs must also have adequate substantiating documentation. Designation of a cost as reimbursable during the initial rate-setting process or during the reconciliation process does not mean that the cost will be reimbursed through the final audit rate since all rates are subject to adjustment on field audit, in accordance with Section 200.18 of the Commissioner's Regulations and this Manual." Based on this, we recommend a disallowance of \$61,660 in costs that were incorrectly allocated to the cost-based programs we audited. These costs include OTPS and Agency Administration costs that should not have been charged to the SC and SCIS programs.

- \$25,738 in costs that were incorrectly allocated to the cost-based programs, including clinic costs of \$23,655, Head Start and School Age transactions totaling \$1,982, and mental health service charges for the Head Start and Early Head Start programs totaling \$101. After ratio value was applied, we recommend a disallowance of \$22,571.
- \$23,174 in costs for items such as professional services, insurance, office cleaning, and security that Northside incorrectly charged as direct costs to the SC and SCIS programs on the CFR-1 instead of Agency Administration costs. Our recommended disallowance of \$23,174 is based on the ratio value and square footage allocation methodology required by the Claiming Manual.
- \$12,016 in costs that were incorrectly allocated as direct costs to the SC and SCIS programs on the CFR-1.
- \$1,890 in advertising costs for the school-age programs.
- \$1,653 in costs that were incorrectly allocated to SC. These transactions included an incorrect calculation of the square foot allocation basis, which overstated the charges for maintenance of structure, utilities, cleaning supplies, rent, and office cleaning.
- \$161 in training costs that were based on an incorrect allocation percentage.
- Northside charged the SC program \$293 for software that should have been capitalized and depreciated. After considering depreciation, the recommended disallowance is \$195.

### *Ineligible Expenses*

According to the Manual, costs must be reasonable, necessary, and directly related to the special education programs. Expenses such as memberships in lobbying organizations and retainers, costs of food for staff and events, charitable donations, and costs for gifts and flowers are not

reimbursable. Northside claimed a total of \$19,034 in such costs, and we recommend their disallowance. Some examples are as follows:

- \$6,273 in retainer costs. The Manual states that “costs associated with retainers for legal, accounting or consulting services are not reimbursable unless the fee represents payment for actual documented reimbursable services rendered, provided the services are not for lobbying efforts.”
- \$6,122 for membership dues in three lobbying organizations. According to the Manual, membership fees to organizations whose primary purpose is to influence legislation are not allowed.
- \$3,811 in food costs.
- A \$740 charitable donation that was charged as a field trip expense.
- \$241 for flowers.

## Recommendations

### To SED:

1. Review the recommended disallowances resulting from our audit and make the appropriate adjustments to the costs reported on Northside’s CFR and tuition reimbursement rates.
2. Work with Northside officials to help ensure their compliance with the provisions in the Manual.

### To Northside:

3. Ensure that costs reported on future CFRs fully comply with SED’s requirements in the Manual.

## Audit Scope, Objective, and Methodology

To determine whether the costs reported by Northside on its CFR were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the SED’s Manual. The audit included expenses claimed on Northside’s CFRs for the fiscal year ended June 30, 2014.

To accomplish our objective, we reviewed the Manual, the Claiming Manual, Northside’s CFR, financial records, Northside’s personnel files, students’ files, and teachers’ files for the audit period. We also visited the school and interviewed Northside officials and staff to obtain an understanding of their financial and business practices. In addition, we selected a judgmental sample of 376 transactions, totaling \$361,083, to determine whether they were supported, program related, and reimbursable. Our selection of the 376 transactions took into account the relative materiality and risk of the various costs reported by Northside. The sample was not designed to be projected to the entire population of reported costs. Also, our review of Northside’s internal controls focused on the controls over Northside’s CFR preparation process.

As is our practice, we notified Northside officials at the outset of the audit that we would be requesting a representation letter in which Northside management provided assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. In this letter, Northside officials assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. Northside officials further affirm that either Northside has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, Northside officials have not provided a representation letter in connection with this audit. As a result, we lack assurance from Northside officials that all relevant information was provided to us during the audit.

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

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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 Education Law.

## Reporting Requirements

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We provided draft copies of this report to Northside and SED officials for their review and formal comment. Their comments were considered in preparing this final report, and they are attached in their entirety at the end of it.

SED agreed with our recommendations, and indicated that they will continue to provide technical

assistance when requested and will strongly recommend the Northside officials take advantage of SED's availability to help them to better understand the standards for reimbursement. However, Northside officials generally disagreed with the report's findings, asserting that sufficient documentation was provided to support all of the costs claimed on the CFR for the fiscal year ended June 30, 2014. They added that the documentation provided was not thoroughly reviewed by the auditors, and this resulted in the recommended disallowances. We disagree with comments from Northside's officials regarding the thoroughness of our review of all of the records provided. In fact, we re-reviewed the documents each time they were presented during fieldwork, in response to the preliminary findings, and again in response to the draft report. Despite the volume of documents provided, we determined on review and re-review that many did not sufficiently support that the expenses were for the cost-based programs audited. Our response to certain comments are embedded within Northside's response.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the State Education Department 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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**Carmen Maldonado**, Audit Director  
**Abe Fish**, Audit Manager  
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**Danielle Marciano**, Examiner-in-Charge  
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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

**Northside Center for Child Development  
Schedule of Submitted and Disallowed Program Costs  
for the 2013-14 Fiscal Year**

<b>Program Costs</b>	<b>Amount per CFR</b>	<b>Amount Disallowed</b>	<b>Amount Remaining</b>	<b>Notes to Exhibit</b>
Personal Services				
Direct	\$1,798,910	\$141,965	\$1,656,945	A,B,G,H
Agency Administration	125,484	10,408	115,076	C,H,I,N
<b>Total Personal Services</b>	<b>\$1,924,394</b>	<b>\$152,373</b>	<b>\$1,772,021</b>	
Other Than Personal Services				
Direct	\$521,557	\$111,499	\$410,058	B,D-H
Agency Administration	39,282	6,168	33,114	C,F,H-M
<b>Total Other Than Personal Services</b>	<b>\$560,839</b>	<b>\$117,667</b>	<b>\$443,172</b>	
<b>Total Program Costs</b>	<b>\$2,485,233</b>	<b>\$270,040</b>	<b>\$2,215,193</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 Northside officials during the course of the audit.

- A. Section II Introduction: Generally, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. Such reimbursable costs will be included in the calculation of tuition rates up to any limits or cost parameters approved annually in the rate setting methodology.
- B. Section III.1.: Section 200.9(d) of the Commissioner's Regulations requires entities operating approved programs to retain all pertinent accounting, allocation, and enrollment/attendance records supporting reported data directly or indirectly related to the establishment of tuition rates for seven years following the end of each reporting year. Costs will not be reimbursable on field audit without appropriate written documentation of costs.
- C. Section III.1.M.(1): Any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure. For example: (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. (ii) The cost of supplies that are purchased for distribution among multiple programs must be allocated among these programs if direct charges are not possible. Adequate documentation of the allocation methodology should be maintained. (iii) General maintenance and overhead expenses must be allocated among all programs and entities.
- D. 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. (3) For CFR filers (except Office of Children and Family Services Residential Facilities), agency administration costs shall be allocated to all programs operated by the entity based on the Ratio Value Method of allocation.
- E. Section II.13.B.(2): Reimbursement of fringe benefit expenses shall be subject to the following principles: ... b. Costs of benefits for employees who provide services to more than one program and/or entity must be allocated to separate programs and/or entities in proportion to the salary expense allocated to each program. c. Benefits including pensions, life insurance and Tax Sheltered Annuities for individual employees or officers/directors are proportionately similar to those received by other classes or groups of employees.
- F. Section II.24.: Gifts of any kind are not reimbursable.
- G. Section II.30.C.: Costs for food, beverages, and entertainment and other related costs for meetings, including Board meetings, are not reimbursable.
- H. Section II.48.A.(3): Allocation of property costs should be based on square footage.

Administrative or shared space should be allocated based upon the square footage and percentage of time used by the various programs. Using Ratio Value alone, Units of Service or similar methodology to allocate property costs is not an appropriate allocation methodology.

- I. 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.
- J. 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.
- K. Section III.1.C.(2): Adequate documentation includes, but is not limited to, the consultant's résumé, a written contract that includes the nature of the services to be provided, the charge per day, and service dates. All payments must be supported by itemized invoices that indicate the specific services actually provided and, for each service, the date(s), number of hours provided, fee per hour, and total amount charged. In addition, when direct care services are provided, the documentation must indicate the names of students served, the actual dates of service, and the number of hours of service to each child on each date.
- L. Section II.37.C.: Costs of the school's membership in civic, business, technical, and professional organizations are reimbursable subject to the following restriction: The expenditure is not for membership in an organization whose primary purpose is to influence legislation.
- M. Section II.17.A.(1): Items having a unit cost of \$5,000 or more and an estimated useful life of two years or more must be capitalized. Effective with the 2009-10 school year, the \$1,000 threshold has changed to \$5,000.
- N. Section II.13.A.(10)(a): Merit awards are restricted to direct care titles/employees as defined by the Reimbursable Cost Manual's Appendix A-1 and those in the 100 position title code series and position title code 505 and 605 as defined by the Consolidated Fiscal Report's Appendix R.

# 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  
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November 5, 2018

Ms. Carmen Maldonado  
Audit Director  
Division of State Government Accountability  
NYS Office of the State Comptroller  
59 Maiden Lane, 21<sup>st</sup> Floor  
New York, NY 10038

Dear Ms. Maldonado:

The following is the New York State Education Department's (SED) response to the draft audit report, 2017-S-15, Compliance with the Reimbursable Cost Manual: Northside Center for Child Development (Northside).

Recommendation 1:

Review the recommended disallowances resulting from our audit and make the appropriate adjustments to the costs reported on Northside's CFR and tuition reimbursement rates.

We agree with this recommendation. SED will review the recommended disallowances as noted in the report and make adjustments to the reported costs to recover any overpayments, as appropriate, by recalculating tuition rates. SED will further review the audit disallowances regarding membership dues, direct care consultants' non-contact hours, and child care allowance against the applicable standards in the Reimbursable Cost Manual.

Recommendation 2:

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

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend the Northside officials take advantage of our availability to help them better understand the standards for reimbursement as presented in Regulation and the Reimbursable Cost Manual (RCM). Furthermore, CFR training is available online on SED's webpage. SED recommends that all individuals

signing the CFR certification statements, namely Executive Directors and Certified Public Accountants, complete this training. This training is a requirement for preschool special education providers upon approval and reapproval.

If you have any questions regarding this response, please contact Harold Matott, Director Agency Budget Services, (518) 474-3227.

Yours truly,



Sharon Cates-Williams  
Deputy Commissioner

c: Karla Ravida  
Suzanne Bolling  
Christopher Suriano  
Harold Matott  
James Kampf

## Agency Comments - Northside Center for Child Development and State Comptroller's Comments



November 5, 2018

**VIA ELECTRONIC MAIL**

Ms. Carmen Maldonado  
 Audit Director  
 Office of the State Comptroller  
 Division of State Government Accountability  
 110 State Street, 11<sup>th</sup> Floor  
 Albany, NY 12236

**Northside Center for Child Development, Inc.  
 Response for Draft Audit Report - Audit 2017-S-015**

Dear Ms. Maldonado:

This report is in response to the Draft Audit Report for which the Office of the State Comptroller (“OSC”) presented to Northside Center for Child Development (“Northside”) on Friday October 5, 2018. The audit was a process which began with an engagement letter dated February 6, 2017 and with an on-site commencement for the audit on February 21, 2017.

During the period of the lengthy OSC audit, Northside applied all of our limited resources to provide the audit team significant supporting documentation. During the audit process, Northside received four preliminary audit reports commencing in August 2017, with the last preliminary report issued in November 2017. Northside provided detailed responses and documentation to each report, as well as extensive pages of supporting information on September 8, 2017 and on December 8, 2017.

Northside appreciated the discussion at the exit conference with the goal to discuss remaining open OSC issues with our documentation and responses. However, OSC was not prepared to discuss open issues or concerns regarding the Northside Preliminary 3 report responses at the exit conference due to technical difficulties in the transmission of the response. Northside had not received feedback, at that meeting or subsequent to that meeting, on that Preliminary 3 report response submitting on December 8, 2017. We are concerned that our response to the Draft Audit Report has been compromised as a result.

**State Comptroller's Comment 1** - We thoroughly reviewed all documentation that Northside provided during the audit – during the audit fieldwork, subsequent to the issuance of the preliminary findings, at the closing conference, and after issuance of the draft report. The response to preliminary finding 3 has been thoroughly reviewed by the auditors. At Northside's

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request, we had additional discussions after issuance of the draft report, and provided additional schedules detailing the findings. As a result of these discussions and additional documents provided, we revised some of the recommended disallowances.

The opportunity to confer with information with Northside was critical as the Preliminary 3 report contained original findings in the amount of \$85,278.67 and is material in relation to the total OSC proposed disallowances of \$288,655. On March 31, 2018 in an email exchange Northside communicated the serious concern to OSC:

*"#3. We take exception to what appears to be your intention to include Report #3 within the DRAFT report us having the benefit of responding to your assessment – an opportunity presented for each of the other preliminary reports through the exit conference. We have grave concerns that the auditors may simply include the findings set out in report #3 with the DRAFT report with you assert has "now moved to the next level" and that any and all additional information we might present in our responses to the DRAFT report will not be given full consideration required, most importantly as relates to preliminary report #3 and our detailed response to such report."*

Since that time, Northside continued to provide supporting documentation to OSC as well as submitting repeated requests for Preliminary 3 feedback from OSC. On April 20, 2018 Northside submitted extensive additional information and clarifying information, which included 206 pages of documentation. Also included were requests from OSC to submit detailed information supporting the OSC proposed disallowances to enable Northside to be able to continue to verify and understand the disallowances. Northside also continued request for feedback from the submitted Northside Preliminary 3 response.

#### **See State Comptroller's Comment 1**

The following are important excerpts from the April 20, 2018 Northside Letter to OSC:

*"In addition, upon further detailed review of the OSC Preliminary reports and subsequent communication we will require detailed backup and worksheets to the OSC proposed disallowances for the Direct Care Consultants and Square Footage in order to check the accuracy and provide the documentation that is alleged to be missing or incorrect.*

*"In order to adhere to the short turnaround time for the Draft Report, it is imperative that Northside be given the opportunity to speak to OSC regarding the Preliminary #3 and have time to address. We understand under the audit process that this is not required for OSC to afford our agency but given the time, resources, and magnitude of the proposed disallowances, we contend it is the proper and fair action to take. "*

On October 5, 2018, Northside received the OSC Draft Audit report which set out the OSC conclusions without Northside having the benefit of the requested information from the April 20, 2018 Northside Letter. This persistent lack of clarification or detailed explanation, until partially answered by OSC during the time period October 15, 2018 through November 2, 2018 prevented Northside from developing a fully appropriate response to the Preliminary reports and disadvantages the agency in the process of responding to the Draft Audit Report.

[See State Comptroller's Comment 1](#)

**Comments on the Draft Audit Report**

Northside does not believe the Draft Audit Report issued on October 5, 2018 is a fair representation of all the documentation and support that was submitted to OSC. In fact, Northside provided volumes of session notes, invoices, class lists and documentation to serve as evidence such as work products in support of claimed expenses. It is unclear whether the auditors reviewed the extensive documentation as Northside was not provided clarifications as to why OSC continues to write that our documentation is insufficient or missing.

Northside believes the Draft Audit Report misapplies certain principles, contains errors in calculations and also many conflicting statements. The Draft Audit Report simply does not reflect the extensive documentation provided to the auditors. Northside noted, which is expanded upon in the comments, that several OSC allowances indicated a methodology treatment in calculating the disallowance which Northside believes was not applied. In sections where OSC indicated the ratio value or square footage was applied, it appears the OSC applied the methodology incorrectly in some findings. The OSC applications of certain methodologies violates the guidance in the CFR Manual Appendix J that all attempts should be made to directly charge an expense.

[See State Comptroller's Comment 1](#)

The OSC Draft Audit Report, presented to Northside, does not mathematically add in one of the proposed disallowance detail sections as well as the proposed disallowances listed do not total to the Schedule of Submitted and Disallowed Program Costs of \$288,665. The Draft Audit Report did not include all the proposed disallowances. OSC on November 2, 2018, upon Northside's request, provided the detail of the disallowance and indicated the corrections would be reflected in the final report.

[State Comptroller's Comment 2 - The recommended disallowance was adjusted to reflect these items.](#)

Northside, as of the date of this report, has not fully been provided the information requested on April 20, 2018 and October 17, 2018. To this end, Northside was not able to fully ascertain the total OSC findings that were contained in the report nor several calculation methodologies.

**Summary**

Northside believes that the audit team may not have given the documentation that Northside provided the benefit of a full review. We are also concerned that the lack of sustained dialogue, the lack of a comprehensive OSC reconciliation summary to the Draft Audit Report, the delay of OSC in providing critical information and limited communication as to why our documentation

was not sufficient, prevented Northside from being able to challenge certain findings with any authority or confidence.

We implore the auditors to review our several submissions to include subsequent amplifications and clarifications in the interest of fairness.

Sincerely,



Paula Magnus  
Deputy Director of Finance  
Enc.

CC: Dr. Thelma Dye, Executive Director

<b>Personal Service Costs</b>
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**OSC Disallowance: Time and Attendance**

In this section, OSC identified \$88,652 in compensation costs charged to the audited programs for seven employees for which OSC claims are not in compliance with the requirements of the Manual.

Northside objects to the OSC stated reason for the proposed disallowance for six employees as the OSC is inaccurate and does not acknowledge the supporting documentation provided during fieldwork as well as the 51 pages of supporting documentation provided with preliminary responses and clarifying information for the below OSC disallowances. In fact, Northside has re-forwarded the 51 pages on October 23, 2018, in addition to 131 pages provided to OSC during on-site fieldwork. As indicated below, major items included in the documentation are job descriptions, documented assignments, documentation of work in the preschool and evidence of positions.

**State Comptroller's Comment 3** - We reviewed the information provided, and reduced the recommended disallowance by \$11,345 for the one employee based on the documentation provided. However, we concluded that the remaining costs claimed for the other six employees were not sufficiently documented. As an example, Northside submitted supporting documentation for an employee who worked in the audited cost-based programs that was identical to that of another employee with the exception of the name. This document included a class roster with the name of the teacher, which would be expected to vary for each employee.

**OSC: \$41,887 in salaries for three employees who did not work in the cost-based program they were charged to.**

Northside Response: Included within the above amount of \$41,887 are three identified employees. Northside adamantly objects to inflammatory tone by OSC with the above statement that our agency reported individuals to a program that they did not work.

**State Comptroller's Comment 4** - None of the three employees cited were on Northside's class lists for this program, nor did Northside provide any other documentation to support that they worked in the program.

For one of the employees (\$29,414), Northside explained and provided documentation for one employee who was inadvertently transposed with another employee between the Preschool and School Age Program. Northside requested adjustment by OSC not to discriminate to the Preschool Program. Northside provided to OSC the calculation and supporting documentation which would result in the elimination of the finding.

See Privileged and Confidential Attachment

Northside Center for Child Development		
Submitted: December 8, 2017 Report to OSC		
Attachment: Employee 1 Classroom Activities/Assignment		\$29,414
Document Number	Description	Validation
1	Personnel Action Sheet	Job Description
2	Personnel Action Sheet	Job Description
3	Pre-K Class 316 School Class list 2013-2014	Documented Assignment
4	Pre-K Class 325 School Class list 2013-2014	Documented Assignment
Summary: Northside Has documentation to support Emp. 1 as teacher aide on the preschool to meet mandated Ratio of staffing.		
The transfer between preschool and school should be calculated		

For another employee (\$8,574.76) Northside provided documentation to support the time as a substitute. We challenge the OSC email provided to Northside where OSC indicated that Northside did not provide evidence of work when the following information was presented.

Northside Center for Child Development		
Submitted: December 8, 2017 Report to OSC		
Attachment: Employee 2		\$8,574.76
Document Number	Description	Validation
1	Daily Records of Room Assignments	Documentation of Assignment
2	Daily Records of Room Assignments	Documentation of Assignment
3	Daily Records of Room Assignments	Documentation of Assignment
4	Daily Records of Room Assignments	Documentation of Assignment
5	Daily Records of Room Assignments	Documentation of Assignment
6	Daily Records of Room Assignments	Documentation of Assignment

For the remaining employee (\$3,897.96) Northside acknowledges that his placement was not updated when the position had changed. Therefore, Northside does not challenge this finding.

**State Comptroller's Comment 5** - We reviewed the additional documentation provided and determined that it did not adequately support that these employees worked in the program. All the information we reviewed indicated that they worked in a different cost-based program.

**OSC: \$34,738 for two employees' salaries for which Northside did not have any supporting documentation.**

Northside Response: Included within the above amount of \$34,738 are two identified employees. Once again, Northside adamantly challenges this statement given the fact that Northside submitted documentation during field work as well as 36 pages of supporting documentation provided with preliminary responses and clarifying information for the above OSC disallowances.

**State Comptroller's Comment 6** - We adjusted the recommended disallowance to \$33,168.15 based on the additional information provided.

The following comprises the additional documentation presented to OSC for employee (\$24,199.86) to evidence work with the Preschool Program.

Northside Center for Child Development		
Submitted: December 8, 2017 Report to OSC		
Attachment: Employee 3		\$24,199.86
Document Number	Description	Validation
1	Personnel Action Sheet	Job Description
2	June 2014 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
3	May 2014 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
4	April 2014 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
5	March 2014 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
6	November 2013 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
7	October 2013 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
8	September 2013 Crisis Intervention Specialist monthly report	Documentation of Work Preschool
9	Employee Performance Evaluation	Documentation of Employee Status
10	Employee Performance Evaluation	Documentation of Employee Status
11	Employee Performance Evaluation Instructions	Documentation of Employee Status
12	Employee 3, Diversion Specialist	Documentation of Employee Status
13	Sign in Sheet - CPI Training 3/12/14	Documentation of Work Preschool
14	Sign in Sheet - CPI Training 3/12/14	Documentation of Work Preschool
15	Sign In Sheet - Introduction to ABA - May 8, 2014	Documentation of Work Preschool
16	Sign in Sheet - Introduction to ABA Therapy - April 29, 2014	Documentation of Work Preschool
17	Training Evaluation 4-29-2014	Documentation of Work Preschool
18	Training Evaluation 4-29-2014	Documentation of Work Preschool
19	ABC Analysis	Documentation of Work Preschool
20	The ABCs of Behavior Modification PowerPoint	Documentation of Work Preschool
21	The ABCs of Behavior Modification PowerPoint	Documentation of Work Preschool
22	The ABCs of Behavior Modification PowerPoint	Documentation of Work Preschool
23	The ABCs of Behavior Modification PowerPoint	Documentation of Work Preschool
24	The ABCs of Behavior Modification PowerPoint	Documentation of Work Preschool
25	The ABCs of Behavior Modification PowerPoint	Documentation of Work Preschool

**State Comptroller's Comment 7** - Northside provided documentation for two days of work in the program, which resulted in a \$200.16 reduction in the disallowance.

The following comprises the additional documentation presented to OSC for employee (\$10,538.45) to evidence work with the Preschool Program.

Northside Center for Child Development		
Submitted: December 8, 2017 Report to OSC		
Attachment: Employee 4		\$10,538.45
Document Number	Description	Validation
1	Job Description: Maintenance/Facilities Operations Coordinator	Evidence of Position
2	Job Description: Maintenance/Facilities Operations Coordinator	Evidence of Position
3	S-95 Certificate of Fitness Holder	Evidence of Position
4	S-95 Certificate of Fitness Holder	Evidence of Position
5	Personnel Action Sheet	Job Description
6	Therapeutic Early Childhood Center Schedule of Fire and Shelter Drills 13-14	Evidence of Position
7	Fire Drills - TECC	Signed by tester/ each test
8	Fire Drills - TECC	Signed by tester/ each test
9	New York City Alarm Corp. Service Document	Evidence of Position
10	Preventive Maintenance Report	Evidence of Position
11	New York City Alarm Corp. Test Result Document	Evidence of Position

**State Comptroller's Comment 8** - We adjusted the recommended disallowance to \$9,168.45. However, Northside did not provide documentation to justify the method of allocation to the program.

**OSC: \$11,345 for one employee's salary that lacked sufficient supporting documentation.**

Northside Response: Northside objects to the disallowance and is unclear how the OSC states that the 131 pages of documentation provided on-site and forwarded once again on October 23, 2018 does not support the fact this employee worked in the Preschool Program. All of the session notes submitted are for Preschool students.

**State Comptroller's Comment 9** - We removed the recommended disallowance for this employee.

<b>Northside Center for Child Development</b>		
Submitted: April 20, 2018 Report to OSC		
Submitted: Attachment 1- Preliminary 1		
<b>Documentation for Employee 5</b>		<b>11,345.00</b>
<b>Document Number</b>	<b>Description</b>	<b>Validation</b>
1	Personal Action Sheet	Clinical Social Worker
2	Billing/Tracking Sample	Providing Preschool Services
<b>Northside Center for Child Development</b>		
Submitted: On-Site Audit Prior to September 8, 2017 Response		
<b>Documentation for Employee 5</b>		<b>11,345.00</b>
<b>Document Number</b>	<b>Description</b>	<b>Validation</b>
1	Job Description	Working with Preschool
2	Weekly Schedule	Examples of Therapy Sessions
3	Weekly Schedule	Examples of Therapy Sessions
4	Weekly Schedule	Examples of Therapy Sessions
5	Weekly Schedule	Examples of Therapy Sessions
6	Weekly Schedule	Examples of Therapy Sessions
7	Weekly Schedule	Examples of Therapy Sessions
8	Weekly Schedule	Examples of Therapy Sessions
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11	Weekly Schedule	Examples of Therapy Sessions
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27	Weekly Schedule	Examples of Therapy Sessions
28	Weekly Schedule	Examples of Therapy Sessions
29	Weekly Schedule	Examples of Therapy Sessions
30	Weekly Schedule	Examples of Therapy Sessions
31	Weekly Schedule	Examples of Therapy Sessions
32	Weekly Schedule	Examples of Therapy Sessions
33	Session Notes Evidencing Preschool Work	Preschool Work
34	Session Notes Evidencing Preschool Work	Preschool Work
35	Session Notes Evidencing Preschool Work	Preschool Work
36	Session Notes Evidencing Preschool Work	Preschool Work
37	Session Notes Evidencing Preschool Work	Preschool Work
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70	Session Notes Evidencing Preschool Work	Preschool Work



115	Session Notes Evidencing Preschool Work	Preschool Work
116	Session Notes Evidencing Preschool Work	Preschool Work
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128	Session Notes Evidencing Preschool Work	Preschool Work
129	Session Notes Evidencing Preschool Work	Preschool Work
130	Session Notes Evidencing Preschool Work	Preschool Work
131	Session Notes Evidencing Preschool Work	Preschool Work
132	Session Notes Evidencing Preschool Work	Preschool Work

We are respectfully requesting OSC to review the documentation, remove the disallowance and acknowledge the incorrect language references in the section.

Northside is questioning the OSC statement: “identified payments to 7 employees who did not comply with the Manual for reimbursement” and is unsure which provisions OSC is listing as noncompliance. Northside complied with the following guidance in the reporting of the above positions.

**State Comptroller’s Comment 10** - The report was changed to “6 employees.” Northside did not comply with the provisions of the Manual pertaining to documentation of allocation methods, as well as the provision that all costs claimed be sufficiently documented.

**Northside Criteria Followed to Ensure Compliance:**

RCM Section II: 10. Compensation for Personal Services

Northside Criteria: RCM Section III: 1. Recordkeeping A. Payroll

Northside Criteria: RCM Section I: 10. Reasonable Cost

<p><b>Non-Mandated Fringe Benefits</b></p>
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**OSC:** “We reviewed non-mandated fringe benefits and recommend disallowances of \$66,228, primarily due to a lack of documentation regarding the allocation basis and percentages used to charge the SC and SCIS programs.”

Northside Response: Northside provided ample documentation reflecting the allocation methodology employed and the process by which the allocation percentages were determined: more specifically, an accounting of each individual eligible to receive the specific benefit, verification of eligibility and receipt of benefit, and the calculation of percentage allocation by program code. Northside provided the auditors with schedules which tie out the monthly charges to Programs 9100 and 9160 for those costs.

**State Comptroller’s Comment 11** - All documents were reviewed after receipt, and adjustments were made when appropriate. However, in some cases, the documentation did not support any additional adjustments to the disallowances.

**OSC:** “The recommended disallowances, listed below, generally represent costs for employees where the documentation provided did not support that these employees worked for the cost-based programs. The amounts charged to the programs we audited were as follows:

- Health Insurance Union: \$30,343 for SC.
- Health Insurance Non-Union: \$25,206 for both SC and SCIS.
- Pension Non-Union: \$3,729 for both SC and SCIS.

Northside Response: As stated in the Personal Service Draft Audit Response, Northside continues to challenge the auditor’s findings on all but one employee and request reinstatement of an employee who was inadvertently transposed to School Age. Northside had provided ample documentation and explanation on support of allocation methodology or calculation by the OSC.

The Draft Audit Report reflects a reduced disallowance of \$224,252 from the Preliminary Reports in this category. Northside has still not been provided the detail calculations as requested to be able to review and comment on the OSC findings.

OSC did respond to our request on November 2, 2018 providing the following explanation that the health insurance:

*“We disallowed the total health insurance for any person that was found to have charged health insurance to the audited programs without having worked in the audited program or the allocation was too high based on the Personal Action Form. This includes charges for 1, 2, 3, and 4. However, when we did our review, if we found the allocation to be too small based on our calculation, we gave Northside credit for the non-claimed amount, as in the case of 5”*

While Northside appreciates the adjustments to add back % amounts to the Preschool, we have not been provided the worksheets to include details and calculation by person to be able to verify

how the disallowances were calculated. We reserve our right to review once we receive the detail calculations to complete our review.

**OSC:** “We maintain that the Child Care Allowance should be disallowed because it was not provided in a proportionately similar manner to all employees.

- Child Care Allowance: \$6,692 for SC.
- Union Job Security Fund: \$258 for SC.

Northside Response: We disagree with the OSC interpretation of the proportionately similar in the RCM as related to the allowability of the fringe benefits. The OSC is interpreting subjectively that in order to be “proportionately similar” that the benefits must be paid by Northside for both Union and Non-Union employees.

Union employees are afforded benefits that Northside must pay for certain benefits by virtue of a contract. In return, the Union employees, pay dues to be a member, unlike a non-union employee. For the OSC to state that Northside must pay for all benefits for both Union and Nonunion employees to be “proportionally similar” is a false assumption.

**State Comptroller’s Comment 12** - Some employees received these payments as part of their payment of union dues. However, non-union employees received this benefit, but did not incur any expense to participate.

<b>Other Than Personal Services</b>
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Consultants

**OSC:** “We recommend disallowance of costs totaling \$27,761 for which Northside provided either insufficient or no documentation, as follows:

**State Comptroller’s Comment 13** - Based on a review of the information Northside provided, the number of sessions was revised and the recommended disallowance for this cost was changed from \$27,761 to \$26,169.

- \$20,857 in costs for direct care consultants’ non-contact hours.”

Northside Response: In order to evaluate and review the OSC disallowances, Northside had requested from OSC on April 20, 2018, as indicated in the cover letter, the calculations and sources of the total disallowance of \$20,857. Not until after the Draft Audit Report was issued, did Northside receive on October 19, 2018, the detail direct sessions OSC reviewed and the **calculations for \$17,357 of the total \$20,857.**

We have reviewed the listing submitted by OSC of the detail direct sessions and have submitted under separate cover the documentation to support the Northside direct sessions directly generated from our billing/tracking system. We have traced back to the billing/tracking system as

well as the contemporaneous therapist signatures by each therapist to document and support our findings.

**OSC Disallowance \$ 17,357.69**

**Northside Verified and Supported Direct Therapy Sessions for the OSC Disallowed Hours**

Post Date	Amount	OSC # 30-Minute Sessions	Northside # 30-Minute Sessions
10/24/2013	2,001.92	39	42
11/6/2013	1,518.51	33	35
11/7/2013	1,522.50	19	28
12/10/2013	1,583.82	31	34
12/19/2013	1,512.05	31	32
6/30/2014	1,996.00	35	43
10/31/2013	2,150.08	30	38
10/31/2013	2,303.81	42	50
11/7/2013	2,242.49	44	54
11/25/2013	2,003.18	34	39
11/25/2013	2,088.71	41	47
12/30/2013	2,173.92	45	46
12/30/2013	2,070.13	41	43
1/31/2014	2,502.45	53	60
3/7/2014	2,019.76	31	36
4/11/2014	2,067.64	40	43
4/11/2014	2,496.90	28	43
4/24/2014	2,456.30	25	38
5/27/2014	2,361.35	42	43
6/30/2014	2,114.45	40	45
3/12/2014	229.33	0	2
4/24/2014	229.95	0	3
5/29/2014	266.61	0	1
6/26/2014	254.77	0	3
6/30/2014	241.78	2	3
8/3/2013	484.65	8	11
11/7/2013	602.25	0	3
11/22/2013	657.00	1	5
11/27/2013	693.50	6	7
12/10/2013	620.50	1	2
12/10/2013	766.50	6	8
12/19/2013	675.25	4	7
1/24/2014	711.75	2	3
1/24/2014	543.00	1	6

2/13/2014	385.41	3	7
2/25/2014	456.25	4	8
2/25/2014	445.34	4	8
3/12/2014	481.80	2	5
4/11/2014	402.23	3	7
4/24/2014	412.82	4	8
6/10/2014	406.94	2	9
<b>Total</b>	<b>51,212.60</b>	<b>778</b>	<b>955</b>

Information from an example from the Billing/Tracking System to Support our Direct Service Sessions is sent under separate cover. We are able and will forward the entire Billing/Tracking System Under Separate Cover to support the indicated direct sessions.

We are requesting the OSC update the file on the direct sessions where previously indicated by OSC as missing or where OSC understates the actual direct sessions based on the documentation submitted for the billing/tracking sessions.

See Privileged and Confidential Attachment

Although requested, Northside was not furnished a listing of the direct hours similar to that was provided to Northside for the \$17,357.69 for the **remaining \$3,499.78 OSC disallowance** and therefore cannot challenge. We reserve our right to review once we receive the detail calculations to complete our review.

**State Comptroller's Comment 14** - The information for the \$3,499.78 was provided to Northside, along with other information requested after they received the draft report.

- \$4,650 in temporary help costs.

Northside Response: We are not in agreement with this disallowance by OSC in which they state Northside provided either insufficient or no documentation. Northside was not provided information as to why the information was insufficient and clearly is not missing.

In the Northside Preliminary Response, Northside provided 47 pages of supporting documentation for the Nursing Services as an attachment and re-forwarded the information back to OSC on October 23, 2018. As we indicated, the temporary personnel worked for the exclusive benefit of the 9100 programs. The invoiced time and services performed were previously submitted and reflected in the supporting documentation for **the Nursing Services to eliminate the finding of \$1,722.26.**

**State Comptroller's Comment 15** - We reviewed all the documentation provided by Northside and determined that it did not show that the work performed was for the cost-based programs audited.

See Privileged and Confidential Attachment

Northside Center for Child Development			
Submitted: December 8, 2017 Report to OSC			
Attachment: Nursing Services			
Attachment Number	Attachment Sent Description	Date	Validation
1	Check Detail	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
2	Invoice	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
3	Timesheet Approved	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
4	Timesheet Approved	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
5	Time Card	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
6	Time Card Report	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
7	Calculations	6/6/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
8	Check Detail	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
9	Invoice	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
10	Timesheet Approved	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
11	Timesheet Approved	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
12	Time Card Report	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
13	Time Detail	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
14	Calculations	6/13/2014	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
15	Check Detail	10/4/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
16	Invoice	10/4/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
17	Timesheet Approved	10/4/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
18	Time Card Report	10/4/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
19	Check Detail	9/20/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
20	Invoice	9/20/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
21	Timesheet Approved	9/20/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
22	Timesheet Approved	9/20/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
23	Time Card Report	9/20/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants
24	Time Card Report	9/20/2013	RCM Section II 14. Consultants, Section III 1. Recordkeeping C. Consultants

25	Monthly Medical Report	12/3/2013	Evidence of Work Product
26	Monthly Medical Report	12/3/2014	Evidence of Work Product
27	Email from Employees	2/19/2014	Evidence of Work Product
28	Email from Employees	4/2/2014	Evidence of Work Product
29	Email from Employees	4/16/2014	Evidence of Work Product
30	Email from Employees	4/15/2014	Evidence of Work Product
31	Note home from School Nurse	9/1/2013	Evidence of Work Product
32	Note home from School Nurse	12/5/2013	Evidence of Work Product
33	Note home from School Nurse	12/8/2013	Evidence of Work Product
34	Note home from School Nurse	12/12/2013	Evidence of Work Product
35	Note home from School Nurse	12/4/2013	Evidence of Work Product
36	Note home from School Nurse	9/24/2013	Evidence of Work Product
37	Note home from School Nurse	10/8/2013	Evidence of Work Product
38	Note home from School Nurse	9/26/2013	Evidence of Work Product
39	Note home from School Nurse	9/10/2013	Evidence of Work Product
40	Note home from School Nurse	11/14/2013	Evidence of Work Product
41	Injury Report	10/29/2013	Evidence of Work Product
42	Note home from School Nurse	9/23/2013	Evidence of Work Product
43	Note home from School Nurse	7/19/2013	Evidence of Work Product
44	Medication Administration Form	10/26/2009	Evidence of Work Product
45	Progress Sheet	12/2/2013	Evidence of Work Product
46	Progress Sheet	10/24/2013	Evidence of Work Product
47	Note home from School Nurse	10/24/2013	Evidence of Work Product

Northside also challenges the following remaining balance of the invoices in the amount of \$2,928.21 with the attached invoices under separate cover to evidence the validity of the charge to Preschool in accordance with regulatory guidance.

**See State Comptroller's Comment 15**

See Privileged and Confidential Attachment

- \$1,952 in contracted service costs.

Northside Response: We are not in agreement that we do not have supporting documentation for the above charges. Each of the charges were properly invoiced two of which were for the exclusive benefit of Program 9100 and one benefits the agency as a whole.

Northside also challenges the following balance of the \$1,952 with the attached invoices under separate cover to evidence the validity of the charge to Preschool in accordance with regulatory guidance.

**See State Comptroller's Comment 15**

See Privileged and Confidential Attachment

### Incorrect Allocations or Charges

OSC: “Based on this, we recommend a disallowance of \$65,778 in costs that were incorrectly allocated to the cost-based programs we audited. These costs include OTPS and Agency Administration costs that should not have been charged to the SC and SCIS programs.

- \$25,738 in costs that were incorrectly allocated to the cost-based programs, including clinic costs of \$23,655, Head Start and School Age transactions totaling \$1,982, and mental health service charges for the Head Start and Early Head Start programs totaling \$101.”

**State Comptroller’s Comment 16** - Based on applying the ratio value, we adjusted the disallowance to \$22,571.

Northside Response: Northside challenges the findings and that OSC has incorrectly concluded that the charges were for clinic costs, Head Start and Early Head Start. In addition, Northside communicated to OSC on October 17, 2018 that one charge may have been duplicated in the total amount of \$387.10.

**State Comptroller’s Comment 17** - We reviewed the disallowances in the draft report, and they were not duplicates.

This category includes **\$21,832.64 of temporary accounting service bills** which were for the exclusive use of the school programs. As Northside explained in the Preliminary Report, which the documentation reflects, the amount was associated with personnel who provided part-time accountant services at the 5<sup>th</sup> Avenue location for the exclusive benefit of the school programs. The OSC has indicated \$23,655 as clinic costs in the Draft Report, which Northside has explained that the reference to purposes as “Clinic” on a few vouchers was an internal error. The documentation that was provided, clearly proves otherwise.

**State Comptroller’s Comment 18** - Northside officials stated that the use of the term “Clinic” on the invoices was an error. They added that the temp help costs were allocated based on the number of students enrolled in the programs. The 164 pages of support provided were time sheets and invoices. As evidence of the work performed by temp help, Northside provided journal entries prepared by the temp employees. However, it is not clear how Northside can equate writing journal entries to evidence of work performed for the cost-based programs.

Northside has re-forwarded invoices, which were included in the April 20, 2018 letter, on October 23, 2018 after our conference call on October 17, 2018. The 164 pages of documentation forwarded to OSC are fully in compliance with the RCM requirements for Consultants. The documentation also included evidence of work products, as requested by OSC. In addition, Northside allocation methodology for the consultant, which complies with the RCM and CFR Manuals, was sent on October 23, 2018 upon OSC request.

On November 2, 2018 Northside received an email from OSC with an attachment stating:

*“For the \$21,832.64 charged for temp help, we advised Northside that the information on the invoices provided did not support that work was done for the SC and SCIS program. We were provided examples of journal entries that Northside claims supports the amount charged. (See attachment 2)”*

*“No additional info was provided. No documents were provided to support the appointment, tasks or work done by these individuals.”*

Northside is not in agreement. The journal entries, as work product, provided to OSC documented evidence of the work (with temp help initials) being performed and entered in the system for the preschool program. Northside, also as requested by OSC sent on October 23, 2018 the basis for allocation to the school programs, which in accordance with Appendix J.

See Privileged and Confidential Attachment

Northside, therefore challenges the OSC finding that \$21,832.64 on the basis that Northside was fully compliant with all regulatory information and requirements.

Northside Center for Child Development			
Submitted: April 20, 2018 Report to OSC			
Submitted: Preliminary 3 - Attachment 11			
Temp Help- Temp Help 1 Invoices			
Doc. #	Description	Validation	Voucher Date
1	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	10/25/2013
2	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	10/25/2013
3	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	10/25/2013
4	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	10/25/2013
5	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/1/2013
6	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/1/2013
7	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/1/2013
8	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/1/2013
9	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/15/2013
10	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/15/2013
11	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/15/2013
12	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/15/2013
13	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/22/2013
14	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/22/2013
15	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/22/2013
16	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	11/22/2013
17	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	12/6/2013

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18	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/6/2013
19	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/6/2013
20	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/6/2013

**Northside Center for Child Development**

Submitted: April 20, 2018 Report to OSC

Submitted: Preliminary 3 - Attachment 11

**Temp Help - Temp Help 2 Invoices Part I**

Doc. #	Description	Validation	Voucher Date
1	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/19/2013
2	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/19/2013
3	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/19/2013
4	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/19/2013
5	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/27/2013
6	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/27/2013
7	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/27/2013
8	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	12/27/2013
9	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	1/16/2014
10	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	1/16/2014
11	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	1/16/2014
12	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	1/16/2014
13	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C. Consultants	1/23/2014

14	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/23/2014
15	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/23/2014
16	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/23/2014
17	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/30/2014
18	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/30/2014
19	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/30/2014
20	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	1/30/2014
21	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/6/2014
22	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/6/2014
23	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/6/2014
24	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/6/2014
25	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/13/2014
26	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/13/2014
27	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/13/2014
28	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/13/2014
29	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/20/2014
30	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/20/2014
31	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/20/2014
32	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	2/20/2014

33	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	2/27/2014
34	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	2/27/2014
35	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	2/27/2014
36	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	2/27/2014
37	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/6/2014
38	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/6/2014
39	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/6/2014
40	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/6/2014
41	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/12/2014
42	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/13/2014
43	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/13/2014
44	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/13/2014

**Northside Center for Child Development**

Submitted: April 20, 2018 Report to OSC

Submitted: Preliminary 3 - Attachment 11

Temp Help - Temp Help 2 Invoices Part 2

Doc #	Description	Validation	Voucher Date
45	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/20/2014
46	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/20/2014
47	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/20/2014
48	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1, Recordkeeping C, Consultants	3/20/2014

49	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/27/2014
50	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/27/2014
51	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/27/2014
52	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/27/2014
53	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/31/2014
54	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/31/2014
55	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/31/2014
56	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	3/31/2014
57	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/10/2014
58	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/10/2014
59	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/10/2014
60	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/10/2014
61	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/17/2014
62	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/17/2014
63	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/17/2014
64	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/17/2014
65	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/24/2014
66	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/24/2014
67	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III 1. Recordkeeping C. Consultants	4/24/2014

68	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	4/30/2014
69	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	4/30/2014
70	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	4/30/2014
71	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	4/30/2014
72	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	4/30/2014
73	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/8/2014
74	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/8/2014
75	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/8/2014
76	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/8/2014
77	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/15/2014
78	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/15/2014
79	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/15/2014
80	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/15/2014
81	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/22/2014
82	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/22/2014
83	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/22/2014
84	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/22/2014
85	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/29/2014
86	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	5/29/2014

87	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	5/29/2014
88	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	5/29/2014
89	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	5/30/2014
90	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	5/30/2014
91	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	5/30/2014
92	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	5/30/2014
93	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/12/2014
94	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/12/2014
95	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/12/2014
96	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/12/2014
97	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/19/2014
98	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/19/2014
99	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/19/2014
100	Time Card Report	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/19/2014
101	Voucher	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/26/2014
102	Invoice	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/26/2014
103	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14. Consultants, Section III I. Recordkeeping C. Consultants	6/26/2014

104	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	6/26/2014
105	Voucher	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	6/30/2014
106	Invoice	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	6/30/2014
107	Timesheet Approved	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	6/30/2014
108	Time Card Report	Meets RCM Requirements Section II Cost Principles 14, Consultants, Section III 1. Recordkeeping C, Consultants	6/30/2014

**Northside Center for Child Development**

Submitted: April 20, 2018 Report to OSC

Submitted: Preliminary 3 - Attachment 4

**Temporary Help - Work Product Temp Help 1**

Doc. #	Description	Validation
1	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
2	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
3	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
4	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
5	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
6	Work Product- School Programs	Sample of Journal Entries- Initials of Worker

**Northside Center for Child Development**

Submitted: April 20, 2018 Report to OSC

Submitted: Preliminary 3 - Attachment 4

**Temporary Help - Work Product Temp Help 2**

Doc. #	Description	Validation
1	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
2	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
3	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
4	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
5	Work Product- School Programs	Sample of Journal Entries- Initials of Worker
6	Work Product- School Programs	Sample of Journal Entries- Initials of Worker

Northside objects and is not in agreement with the **disallowance of \$1,982** which includes both advertising costs of \$248.24 and subscription costs of \$1,347.20. As previously explained, documented and provided to OSC, the advertising costs were for staff recruitment at the 110<sup>th</sup> location for the 9100 program Preschool. The \$1,347.20 in subscription costs were paid to a firm for a one- year license to use the software to monitor the 56 preschoolers' curriculum as reflected in provided usage records. Northside provided in Preliminary 3 the documentation to support the

subscription cost validity to the Preschool program. We are not sure of the reason OSC is still referring to this cost as Head Start.

**State Comptroller's Comment 19** - The documentation provided was an order for software and booklets purchased from a vendor to be used to evaluate the preschoolers' curriculum. However, Northside did not provide any documentation to support the receipt of goods/materials, substantiation of hours, and evidence of the work done.

See Privileged and Confidential Attachment

The remaining **\$387.10** OSC disallowance we also disagree with as we provided information to support the preschool charge. The bill attached, in accordance with the RCM, Section II and III The charge was for a specific employee that worked exclusively in this program and meets RCM requirements. As previously noted, this charge may be a duplication.

**State Comptroller's Comment 20** - The disallowances in the draft report were not duplications.

**Northside Criteria Followed to Ensure Compliance:**

RCM Section II 14. Consultants B. C. D.

- \$23,174 in costs for items such as professional services, insurance, office cleaning, and security that Northside incorrectly charged as direct costs to the SC and SCIS programs on the CFR-1 instead of Agency Administration costs. Our recommended disallowance of \$23,174 is based on the ratio value and square footage allocation methodology required by the Claiming Manual.

On November 2, 2018 Northside received an email from OSC incorrectly referencing our request for this information and provided a reference to \$21,832.64. Northside was provided with four preliminary reports through the audit. The Draft Audit Report represents a compilation of those reports, adjusted for any reinstatements from OSC. We are not able to ascertain the detail invoices that equal the total amount of this charge. Northside has requested the details, as indicated by OSC, to be based on ratio value and square footage.

OSC did forward a schedule on the School Square Footage that was provided during the audit. However, if this method and corresponding % was utilized by OSC, we were unable to reference back to any disallowances contained in the preliminary findings.

It appears OSC is utilizing a 93.18% disallowance to certain charges which Northside reviewed, which may be included in the \$23,174, and is inconsistent with the explanation received November 2, 2018 from OSC in response to our request as follows:

*"The allocation percentages calculated by the Auditors complied with Appendix J of the CFR Manual. The square footage used in the calculation were provided by Northside and verified by measurement by the Auditors. The differences resulted from Northside's reallocating additional costs in excess of the % that they claimed to have used.*

**State Comptroller's Comment 21** - We calculated disallowance percentages based on square footage and number of students, and adjusted for the ratio value for each program.

The additional classroom was added on 4/7/14. This additional charge was for the prior period Jul – Dec 2013. The % were manually adjusted to 25.6% from 21.18% (1280.25/ 5000.47). Our calculation as per Appendix J was 22.41%.

Preliminary 3 OSC Disallowance Examples for Unknown Disallowance %

Description	Date	Northside GL Amount	OSC Disallowance	OSC Disallowance %
Security	6/30/2014	289.45	269.72	93.18%
Office Cleaning	7/23/2013	1,624.95	1,514.19	93.18%
Exterminating Expense	4/1/2014	89.61	83.50	93.18%

As indicated above, there is no basis for the 93.18% that Northside can ascertain to be able to review and comment.

We have requested a schedule that will total the disallowance of \$23,174 and also contain OSC applied calculations and basis. In not reconciling, we noted that one charge for insurance was disallowed both on Preliminary 2 and Preliminary 3 in different amounts, \$948.82 and \$884.15 respectively. Northside brings to the attention of OSC as this may be a duplicate disallowance.

**State Comptroller's Comment 22** - The recommended disallowances in the draft report were not duplicates.

Northside has not been provided the worksheets to include details and calculation to be able to verify how the disallowances were calculated. We reserve our right to reiew once we receive the detail calculations to complete our review.

- \$12,016 in costs that were incorrectly allocated as direct costs to the SC and SCIS programs on the CFR-1 instead of Agency Administration costs on the CFR-3. Our recommended disallowance of \$12,016 is based on the ratio value and square footage allocation methodology required by the Claiming Manual.

Northside Response: As previously stated Northside did not contest travel of \$1,025. Tokens were provided to parents of children that have difficulty financially in travel to and from school with their children.

The remaining two bills in the **amount of \$10,991.44** Northside is not in agreement with. The \$6,543.60 was an invoice that met all the requirements of the RCM for a temporary worker that was to assist the school program with analysis of the school expenses. The legal fees of \$4,447.84 were specific charges for an employee of the Integrated Program. The invoices and documentation were previously provided to the auditors.

**State Comptroller's Comment 23** - This disallowance was not changed because there was no indication in the documentation provided that the expenses should have been charged to the cost-based programs. These expenses were transferred from another program.

We requested from OSC the actual calculations and have not received a response. In the Draft Audit Report OSC indicates that the costs were charged to CFR 1 and that the OSC recommended disallowance of \$12,016 is based on the ratio value and square footage allocation methodology required by the Claiming Manual. However, the ratio value and/or square footage method did not appear to be used by OSC as illustrated below. Even though Northside is not in agreement that the charge should not remain direct to the Preschool, the finding is overstated as it appears the stated OSC methodology was not applied.

The amounts disallowed by OSC are not calculated according to the above statement. Upon tracing in the CFR, the entire total amount charged to 9100 and the total amount charged to 9160 is disallowed in the amounts of \$6,543.60 and \$4,447.84 respectively. The OSC did not calculate the ratio value % or square footage method that would benefit the preschool programs and did not calculate as indicated with the result of overstating the proposed disallowance. Please see below:

Date	Northside GL Charge	OSC Disallowance	OSC Allowed %
10/31/2013	6,543.60	6,543.60	0.00%
6/30/2014	4,449.80	4,447.84	0.04%
<b>Total</b>	<b>10,993.40</b>	<b>10,991.44</b>	

Contrary to OSC statement above, the Claiming Manual or the RCM does not require the ratio value method unless the cost is applicable and meets the guidelines of the CFR Appendix I. In fact, Appendix J states the following:

*The following guidelines are to be used only after all attempts have been made to direct charge an expense.*

The CFR Manual Appendix J includes recommended methods and also allows for review of another more reasonable method.

See Privileged and Confidential Attachment

**Northside Criteria Followed to Ensure Compliance:**

RCM Section II 39. Purchase of Services

RCM Section III 1. Recordkeeping C. Consultants (2)

- \$1,890 in advertising costs for the school-age programs.

Northside Response: Northside disagrees with this finding. This bill was charged appropriately to the Preschool program for staff recruitment. A detailed invoice was shown to the auditor on site indicating it was specific to the program.

**State Comptroller's Comment 24** - This disallowance represented the allocation of a portion of an advertising charge to fill three positions, only one of which was for the audited program.

In addition, Northside was not able to reference the amount to a Preliminary finding that was stated as \$1,879.63. OSC acknowledged in an email November 2, 2018 that a typographical error was included in the Preliminary report and the Draft Audit Report was correct. We are, however, unable to determine the OSC basis for calculation and disallowance of 69.7%.

- \$1,653 in costs that were incorrectly allocated to SC. These transactions included an incorrect calculation of the square footage allocation basis, which overstated the charges for maintenance of structure, utilities, cleaning supplies, rent, and office cleaning.

Northside Response: We acknowledge that OSC provided a description and calculation for a single invoice disallowance. Northside tested the calculations for six invoices and four of the calculations included in the \$1,653 disallowance were able to be validated with OSC explanation. However, please see below, we were unable to determine the calculations and basis for the December 30, 2013 invoices which resulted in a disallowance of 100% and 70.25%.

Per OSC in an email communication indicated: *“The amount of \$943.32 was allocated based on square footage based on square footage provided by Northside (and already provided to Northside as requested). Based on our calculation the costs should have been assigned at a lower rate”*

Preliminary 3 OSC Disallowance - \$943.32

OSC Description of Disallowance:

An inconsistent calculation of the square foot allocation basis for 12/30/13 Invoices.

Date	GL Charge	OSC Disallowance	OSC Disallowance %
12/30/2013	117.61	117.61	100.00%
12/30/2013	948.09	666.07	70.25%
6/1/2014	1,280.25	159.64	12.47%
Total	2,345.95	943.32	40.21%

- \$951 in costs for bedding and linens.

Northside Response: We disagree with this finding and are not sure of the current basis that OSC has for disallowance. As discussed in the exit conference and in our response to Preliminary 2, Northside explained that the bedding and linen was used for the preschool children in the nurse's office and furnished pictures and descriptions. According to the RCM Section: *"Bedding, linen and towels for the nurse's office and for the classroom will be considered reimbursable"*

**State Comptroller's Comment 25** - We have removed this item as a recommended disallowance.

It is clear that this cost is a reimbursable expense under the RCM and has no basis for disallowance.

- \$161 in training costs that were based on an incorrect allocation percentage.

Northside Response: Northside challenges this disallowance. OSC disallowed 8.6% for which a justification and methodology was not provided. Clarification was requested and not provided by OSC. Northside has not been provided the worksheet to include calculation to be able to verify how the disallowance were calculated and the reason. We reserve our right to review once we receive the detail calculations to complete our review.

- \$10,706 Preliminary 2 Charges for Incorrect Period and \$97.65 Security

Northside Response: The above was not included in the Draft Audit Report, which resulted in the details not reconciling with the total Schedule of Submitted and Disallowed Program Costs. We communicated the discrepancy and notified OSC of the above. Upon review of the **Preliminary 2 for \$10,706**, Northside noted two conflicting reasons as to the proposed disallowance. OSC indicates on one page, a narrative that charges are for agency wide audit costs. In the Draft Audit Report, OSC indicates: *"We have two transactions for Program 9100 that were charged as Program costs, but were charged in the wrong period. The recommended disallowances for these incorrectly charged costs is \$10,706."*

**State Comptroller's Comment 26** - Northside is correct that these items were not included in the draft report. However, they were included in discussions during the audit, in a preliminary finding, at the closing conference, during a telephone call after the draft report was issued, and in the disallowance calculation. The security costs were not an allocation issue. The disallowance represents an overpayment for seven hours of security.

Northside challenges the findings as OSC is not factoring in that the charges as Northside explained, have a lag in the billing and closing of the Financial Statements. It was explained that Northside did not have duplicate charges as a result.

Northside challenges **the \$97.65**. Northside explained to the auditors that the Early Intervention program was reduced during the month of April 2014, consequently the expenses

required reallocation based on current space utilization. The percentage utilized by OSC was 25.3% which Northside has not been provided basis and calculation.

<b>Ineligible Expenses</b>
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In this category OSC listed a total of \$19,034 in expenses were recommended for disallowance. Northside communicated to OSC that the actual costs in the Draft Audit Report listed totaled to \$17,187. OSC acknowledged the discrepancy and identified charges to Northside on November 2, 2018.

- \$6,273 in retainer costs.

Northside Response: Northside is not in agreement with the above amount. As indicated in the Preliminary report, Northside provided extensive documentation to prove that the bill were not retainers and were for the exclusive usage of the preschool program. All legal bills include a detailed bill in accordance with the requirements of the RCM. The other charge, as explained and documented is for a professional consultant who provided agency wide training and should not be disallowed as it was allocated based on ratio-value basis to the preschool.

**State Comptroller's Comment 27** - The documentation shows that there was a retainer. The Manual requires that the number of hours for each service and the person providing the service be listed. Northside provided a document that contained the initials of the individual preparing the invoice, not the individual providing the services.

- \$6,122 for membership dues in three lobbying organizations.

Northside Response: Northside is not in agreement with the disallowance of membership dues for the agency. As we indicated and provided documentation directly to OSC, the characterization that the organization's primary purpose is to influence legislation is not correct. In the April 20, 2018 Northside Letter to OSC, Northside included communication with one of the organizations which indicates an amount of the % of lobby fees to be discounted. Northside has re-forwarded the attachment.

**State Comptroller's Comment 28** - We determined the main function of these entities is lobbying, which the Manual does not allow as a claimed cost.

See Privileged and Confidential Attachment