



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

Division of State Government Accountability

Compliance With the Reimbursable Cost Manual

State Education Department Bank Street College of Education



Report 2017-S-5

November 2018

Executive Summary

Purpose

To determine whether the costs reported by the Bank Street College of Education (Bank Street) 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

Bank Street's Family Center (Center) is a not-for-profit organization authorized by SED to provide Preschool Special Education Itinerant Teacher (SEIT) services and a Preschool Integrated Special Class – over 2.5 hours per day to children with disabilities who are between the ages of three and five years. For purposes of this report, these programs are collectively referred to as the SED cost-based programs. During the 2013-14 school year, the Center reported serving 73 children in its SEIT program and 24 children in its Preschool Integrated Special Class program. Bank Street is reimbursed for the preschool special education services through rates established by SED. The reimbursement rates are based on the financial information that Bank Street 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, Bank Street reported approximately \$2.3 million in reimbursable costs for the audited cost-based programs.

The Center is designed to provide developmentally oriented, culturally sensitive child care and support to families of children up to five years and be a training site for graduate students and high school interns. The home/community-based special education program brings special education services into the child's home, preschool, or child care program. In addition, the program evaluates children to determine eligibility for special education services.

Key Findings

For the fiscal year ended June 30, 2014, we identified \$585,047 in ineligible costs that Bank Street reported on its CFR and recommend such costs be disallowed. These ineligible costs included \$338,175 in personal service costs, \$246,707 in administrative overhead costs, and \$165 in other than personal service costs. Among the ineligible costs identified were:

- \$252,276 in employee compensation that was not properly supported by time and attendance records;
- \$246,707 in parent agency administrative overhead costs that were not adequately supported;
- \$85,899 in fringe benefits that were not allowable by the Manual or were insufficiently documented; and
- \$165 in costs for consultant services not provided and non-reimbursable gift cards for employees.

Key Recommendations

To SED:

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

To Bank Street:

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

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

Division of State Government Accountability

November 13, 2018

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

Mr. Shael Polakow-Suransky
President
Bank Street College of Education
610 West 112th Street
New York, NY 10025

Dear Ms. Elia and Mr. Polakow-Suransky:

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

Following is a report of our audit of the costs submitted by Bank Street College of Education to the State Education Department for the purposes of establishing the tuition reimbursement rates used to bill public funding sources that are supported by State aid payments, entitled *Compliance With the Reimbursable Cost Manual*. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; Article II, Section 8 of the State Finance Law; and Section 4410-c of the State Education Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this 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

Background

Bank Street College of Education's (Bank Street) Family Center (Center) is a New York City-based not-for-profit organization authorized by the State Education Department (SED) to provide, among other programs, Preschool Special Education Itinerant Teacher (SEIT) Services and Preschool Integrated Special Class – over 2.5 hours per day to children with disabilities who are between the ages of three and five years. For purposes of this report, these two programs are collectively referred to as the SED cost-based programs.

The Center is designed to provide developmentally oriented, culturally sensitive child care and support to families of children up to five years and be a training site for graduate students and high school interns. The home/community-based special education program brings special education services into the child's home, preschool, or child care program. In addition, the program evaluates children to determine eligibility for special education services.

The New York City Department of Education (DoE) refers preschool students to Bank Street based on clinical evaluations and pays for its services using the rates established by SED. The State in turn reimburses the DoE 59.5 percent of the reimbursement rate it pays to Bank Street. These rates are based on the financial information that Bank Street 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, Bank Street must meet the reporting requirements prescribed in the Consolidated Fiscal Reporting and Claiming Manual (CFR 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 requires the State Comptroller to audit the expenses reported to SED by special education service providers for preschool children with disabilities. For the fiscal year ended June 30, 2014, Bank Street reported approximately \$2.3 million in reimbursable costs for the cost-based programs.

Audit Findings and Recommendations

For the fiscal year ended June 30, 2014, we identified \$585,047 in reported costs that did not comply with the Manual's requirements and recommend such costs be disallowed. The ineligible costs included \$338,175 in personal service costs and \$246,872 in other than personal service (OTPS) costs (see Exhibit at the end of the report).

Personal Service Costs

According to the Manual, personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the agency's payroll, must be reported on the CFR as either direct care costs (e.g., teachers' salaries) or non-direct care costs (e.g., administrators' salaries). All claimed costs must comply with the applicable provisions of the Manual. For the fiscal year ended June 30, 2014, Bank Street reported \$1,765,428 in reimbursable personal service costs. We identified \$338,175 in personal service and fringe benefit costs that did not comply with the applicable provisions of the Manual for reimbursement, as detailed below. (Note: SED had already made certain other adjustments to personal service costs reported on the CFR.)

Time and Attendance

According to the Manual, compensation costs must be based on approved, documented payrolls, 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. For the fiscal year ended June 30, 2014, we reviewed time and attendance records for 26 employees whose salaries totaled \$947,594 of personal service expenses for the SED cost-based programs. We determined that, for 10 of the 26 employees, there was insufficient documentation to support \$252,276 in claimed compensation costs. Specifically, we determined that:

- Four employees were paid a total of \$229,184, but Bank Street did not have any time records.
- Another two employees did not have sufficient time records or alternate documents to support compensation costs of \$20,422.
- For three SEIT employees, we reviewed their attendance sheets to determine the direct time and the indirect prep time sheets prepared by the teachers. We noted that 16 of the 28 monthly time records reviewed were not signed by a supervisor. Additionally, two employees were overpaid \$769 in retroactive pay, caused by a calculation error, and \$65 was not supported by a time record.
- Two hourly employees did not have documentation to support \$1,836 in claimed compensation costs.

Therefore, we recommend SED disallow \$252,276 in personal services costs claimed.

Non-Mandated Fringe Benefits

According to the Manual, costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. Bank Street claimed fringe benefits totaling \$382,867.

We requested documentation for all the fringe benefits claimed on the CFR. Initially, Bank Street provided a list of fringe benefits and the rate for each one totaling 37.5 percent without any documentation to support the amounts claimed. We informed Bank Street officials that the expenses claimed require support, and they gave us documents for some of the fringe benefits, such as health insurance, employee pensions, and part of the family leave. However, Bank Street did not provide documentation for other non-mandated fringe benefits claimed such as long-term disability, tuition for employees, and sabbaticals. In the case of long-term disability, there was no information on how the amounts charged to the SEIT and Preschool Integrated Special Class were determined.

Where the expenditure was part of a regulatory fringe benefit such as Old Age, Survivor, and Disability Insurance (commonly referred to as Social Security), we did not recommend a disallowance. However, for non-mandated fringe benefits that had no supporting documentation, we recommend a disallowance of \$85,899.

Parent Agency Administration Costs

During the fiscal year ended June 30, 2014, Bank Street was the parent agency of the Center. Under this arrangement, Bank Street claimed it was to provide administrative services such as human resources, accounts payable, and executive management. For the fiscal year ended June 30, 2014, Bank Street claimed \$377,058 in parent agency administrative charges on the CFR for all SED-funded programs. We requested the support for these costs, but Bank Street failed to provide the supporting documents.

Of the administrative charges incurred by seven departments (such as the President's office, Central Institution, and Plant), 4 percent was allocated to SED-funded programs. In addition, 5 percent of Bank Street's computer services was allocated to the SED programs, as well as rent for two apartments in a building near the school that Bank Street reported were used for the SEIT program. We requested documentation to support the parent agency administrative charges to the SED-funded programs and the basis for the percent allocated. We were advised that the 4 percent was based on the ratio of SEIT employees to the total number of Bank Street employees. We requested documentation to support the college's full-time equivalent staff on July 27, 2017, but no records were provided until October 25, 2017, when Bank Street sent a list of employees it claimed was used to calculate the 4 percent. However, our initial review of this information showed it included 33 individuals who did not work for Bank Street during the fiscal year ended June 30, 2014. We also requested support for \$198,028 of the parent agency administrative costs, which included ineligible expenditures such as food and beverages for senior executive offices and/or other venues, staff uniforms, "pledge discounts," and other questionable charges.

We were advised that “pledge discounts” represent the cost of redeeming gifts made to Bank Street before they mature. However, there was no justification for why this was charged to the cost-based programs. Furthermore, no information was provided for the computer allocation of 5 percent.

We also observed that the two apartments were not used exclusively for the SEIT program. We noted that:

- Apartment 1E office space totaled 937 square feet, of which 763 was not used for the SEIT program.
- Apartment 1W office space totaled 769 square feet, of which 263 was not used for the SEIT program.

In response to our preliminary findings, Bank Street stated that the auditors’ measurements of the rental apartments were inaccurate. Bank Street provided actual architectural drawings as well as the monthly maintenance paid invoices for those apartments for the fiscal year ended June 30, 2014. We reviewed the documents provided and determined they totaled \$46,626 and that just 47 percent of the combined square footage was utilized for the cost-based programs audited. Therefore, the recommended disallowance for rent was reduced to \$19,656.

Overall, we recommend a disallowance of \$246,707 for parent agency administration costs after we allocated the eligible amounts that are supported using an appropriate allocation rate.

Other Than Personal Service Costs

The Manual states that costs, including OTPS costs, will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the fiscal year ended June 30, 2014, Bank Street reported \$489,687 in OTPS costs. Our review of the OTPS costs resulted in a recommended disallowance of \$165 for costs that are not reimbursable because they are insufficiently documented or not documented at all, as detailed below. (Note: SED had already made certain other adjustments to OTPS costs reported on the CFR.)

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.

For fiscal year 2013-14, the Center paid 11 consultants \$182,610 for therapeutic services for the children in the Preschool Integrated Special Class and SEIT programs. Consultants are paid based on the number of sessions they provided to the children at the Center, and these costs are claimed on invoices submitted to the Center every month. We selected a judgmental sample of 14 invoices totaling \$52,875 for the seven highest-paid consultants for review of compliance with the requirements.

Our review showed 822 sessions were billed on the invoices, but 820 sessions were actually provided based on class schedules and session notes. The two sessions that were not provided totaled \$90. We therefore recommend a disallowance of \$90 for services not provided.

Gift Cards

We reviewed a judgmental sample of 37 transactions totaling \$27,362 of OTPS expenses relating to the Center's business operations. We concluded that one transaction for \$150 for gift cards, half of which (\$75) was claimed on Bank Street's CFR, was not eligible for reimbursement as the Center did not sufficiently document that it was reasonable, necessary, and directly related to the special education program.

Recommendations

To SED:

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

To Bank Street:

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

Audit Scope, Objective, and Methodology

The objective of this audit was to determine whether the costs reported by Bank Street on its CFR were reasonable, necessary, directly related to the special education program, and sufficiently documented, pursuant to the Manual. The audit included all claimed expenses on Bank Street's CFR for the fiscal year ended June 30, 2014.

To accomplish our objective, we reviewed the Manual, the CFR Manual, Bank Street's CFRs, and relevant financial records for the audit period. We also interviewed Bank Street officials and staff to obtain an understanding of their financial and business practices. In addition, we assessed

a judgmental sample of reported costs to determine whether they were supported, program related, and reimbursable. Specifically, we reviewed costs that were considered high risk and reimbursable in limited circumstances, such as consultants, non-mandatory fringe benefits, and time and attendance. Our sample was based on the relative materiality of the various categories of costs reported and their associated levels of risk. Our samples were not designed to be projected to the entire population of reported costs. Also, our review of Bank Street's internal controls focused on the controls over the CFR preparation process.

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

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

Authority

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

Reporting Requirements

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

Bank Street officials generally disagreed with the report's findings, asserting that the audit focused on the procedural aspects of the Family Center programs and not that the expenses, including the parent agency administrative costs, were incurred to provide services to the children. Our audit sought to determine whether costs reported on Bank Street's CFR were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to SED's guidelines. Our audit found that certain expenses were not sufficiently documented to support the expenses were reasonable, necessary, and directly related to the special education

program. Bank Street officials added that, since July 2014, there have been significant changes, including a new Director at the start of the 2015-16 school year and improved systems, policies, and procedures. However, these improvements are prospective and do not address the lack of adequate documentation for the period of the cost-based program audit. SED agreed with our recommendations, and indicated that they will continue to provide technical assistance when requested and that Bank Street should take advantage of online CFR training on SED's website. Further, our responses to certain Bank Street comments are included in the report's State Comptroller's Comments.

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

Contributors to This Report

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Vision

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

Mission

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

Exhibit

**Bank Street College of Education
Summary of Submitted and Disallowed Costs
for the 2013-14 Fiscal Year**

Program Costs	Amount Per CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$1,765,428	\$338,175	\$1,427,253	A,C,G,H,K
Agency Administration	0	0	0	
Total Personal Services	\$1,765,428	\$338,175	\$1,427,253	
Other Than Personal Services				
Direct Care	\$227,757	\$165	\$227,592	A,D,I,J
Agency Administration	261,930	246,707	15,223	A,B,D-F,H,J
Total Other Than Personal Services	\$489,687	\$246,872	\$242,815	
Total Program Costs	\$2,255,115	\$585,047	\$1,670,068	

Notes to Exhibit

The following Notes refer to specific sections of SED's 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 Bank Street 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 are 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 II.11. – Clothing/Uniforms, Clothing expenses for staff such as uniforms for custodians or bus drivers, even if required by school policy, are not reimbursable. Such costs are considered to be personal expenses.
- C. Section II.13.B.(2)(d) – Sabbatical leave is not reimbursable.
- D. Section II.24. – Gifts of any kind are not reimbursable.
- E. Section II.30.C. – Costs for food, beverages, entertainment and other related costs for meetings, including Board meetings, are not reimbursable.
- F. Section II.48.A.(3) – Allocation of property costs to SEIT 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 for SEIT.
- G. 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.
- H. 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 (7) years. Allocation percentages should be reviewed on an annual basis and adjusted as necessary.
- I. 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, the fee per hour; and the 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.
- J. Section III.1.M.(1)(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.
- K. Section II.13.B.(2)(e) – Employer-provided educational assistance costs are reimbursable as compensation only when the course or degree pursued is relevant to the field in which the employee is working and the employer has exhausted all federal and other grant funds available to cover the education costs. The employee must complete and receive a passing grade for the course(s) for which the employer/provider paid. Appropriate records of course completion must be maintained by the employer/provider.

Agency Comments - State Education Department



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

DEPUTY COMMISSIONER
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September 18, 2018

Carmen Maldonado
Audit Director
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane, 21st 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-5, Compliance with the Reimbursable Cost Manual: Bank Street College of Education (Bank Street).

Recommendation 1:

Review the recommended disallowances resulting from our audit and, if warranted, make the appropriate adjustments to the costs reported on Bank Street's CFR and tuition reimbursement rates, if appropriate.

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.

Recommendation 2:

Work with Bank Street 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 Bank Street 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 James Kampf, Supervising Accountant, at (518) 474-3227.

Yours truly,

Sharon Cates-Williams
Deputy Commissioner

c: Christopher Suriano
Harold Matott
James Kampf

Agency Comments - Bank Street College of Education



Carmen Maldonado
 Audit Director
 Office of the State Comptroller
 59 Maiden Lane, 21st Floor
 New York, NY 10038

RE: Compliance with the Reimbursable Cost Manual
 Bank Street College of Education
 Report 2017-S-5

Dear Ms. Maldonado,

We have reviewed the Draft Report (2017-S-5) detailing expenses claimed by Bank Street College of Education ("Bank Street") on its Consolidated Fiscal Report (CFR) for the fiscal year ending June 30, 2014. As described in the report, the purpose of the audit was to determine whether the costs reported on its CFR were "reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the State Education Department's (SED) guidelines." The findings of the report solely focus on the sufficiency of documentation and do not question that the expenses were reasonable, necessary, or directly related to the program—which was proven through multiple forms of evidence. While the findings highlight procedural compliance issues related to the historic administration of the back-end functions related to the program, all funds were used for the intent and purpose of providing the highest quality of programming to some of the city's most vulnerable children. To disallow the amount of funding identified in the report based upon the procedural issues identified when there is no question as to whether the expenses were used in furtherance of their intent and purpose undermines the value of the audit process and puts funding and programming at risk for future children.

As the audit team understands, Bank Street College of Education and the Family Center collectively experienced profound changes in personnel after the 2013-2014 year being audited, which affected the overall ability to provide sufficient documentation to show compliance with the Reimbursable Cost Manual. These changes also presented challenges when attempting to provide context to the policies and processes of the former administrative team. The current team remains committed to providing as complete a response as possible to the auditors' findings.

Personal Service Costs

Bank Street College of Education disputes \$251,442 of the \$252,276 of disallowed personal service costs claimed. Bank Street does not dispute the overpayment error of \$769 or the payment of \$65 not supported by a time record.

During the review process, ample evidence was submitted demonstrating that the \$251,442 was utilized appropriately and in support of the intended purpose. The following evidence was provided:

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 www.bankstreet.edu

* Comment 1

*See State Comptroller's Comments, page 21.



- Signed time and effort reports including contemporaneous supervisory approval.
- Data that indicated when an employee has “swiped” into the building where the program is located, thereby showing when these employees arrived at work.
- Employee work products that indicate the employees in question performed work. This included, but is not limited to, session notes, administrative paperwork, and operational work products.
- Personnel Action Forms that indicate the salary and work assignments for each employee, which provide the expected work schedule for each employee for the school year, signed and approved by their supervisor as well as Human Resources and other administrative leadership.
- Employee contracts provided at the beginning of each school year that include the expected workload and compensation for each employee. Included are signatures from senior leadership and the employee recognizing and accepting the assigned workload and schedule.
- Records that indicate approved sick and vacation leave times. Our policy required documentation when the employee did not work; therefore, the employee worked time not specifically documented.

*
Comment
2

Throughout the audit process, Bank Street was able to provide clear evidence that the indicated individuals did, in fact, work in furtherance of the services for which these funding streams are intended. There was no disagreement from the audit team that we did, in fact, run an appropriate program supported by these funds or that any lack of documentation is in any way an attempt to be reimbursed for expenses not actually incurred.

While all funds were used for the intended purpose, Bank Street does acknowledge a historic lack of policies and procedures in accordance with the Reimbursable Cost Manual. However, these process and procedure related issues have been corrected. Bank Street experienced a senior leadership transition in July 2014. Additionally, at the start of the 15/16 school year, the Family Center welcomed a new Director. During this transition, Bank Street deepened its commitment to improving the care for and outcomes of our youngest children (ages 0-5). As a result, a substantial investment was made to the Family Center to improve its systems, policies, and structures. This action resulted in a restructuring process that improved operations, brought clarity to procedures, and elevated accountability. Additionally, the SEIT program was able to design an application that commands accurate reporting, tracks child/SEIT sessions, stores child session notes, and time stamps everything, including all signatures.

*
Comment
3

Non-Mandated Fringe Benefits

Bank Street disputes the disallowed funds of \$85,899. We reviewed our files and submitted evidence of the actual expenditures incurred during the 2013-2014 fiscal year. The provided evidence exceeded the amount for which Bank Street was reimbursed. Although the audit team identified items within the fringe category for which actual expenditures were not incurred or provided, these are non-consequential to the amount that was reimbursed and appropriately utilized for the purposes of fringe benefits associated with the program.

*
Comment
4

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Parent Agency Administration Costs

Bank Street disputes the finding that disallows the Parent Agency Administrative overhead in the amount of \$246,707 and seeks to amplify the information that was sent to the audit team regarding our process.

Bank Street acknowledges that the prior administration did not follow proper procedures in calculating the parent agency administration costs. Despite these challenges, ample evidence was provided to demonstrate the actual expenses incurred for Bank Street to support the program. Additionally, Bank Street highlights that new procedures, including the hiring of an accountant who specializes in the preparation of the CFR, have been put in place to ensure appropriate accounting procedures. Not only was the information underlying this audit prepared by an administration that was no longer associated with Bank Street, but there were also core data system upgrades that occurred during this time frame that affected the availability of certain data sources.

Bank Street College of Education has been in operation for over a century. In recent decades, the general size and scale has remained relatively stable, with the Family Center making up roughly 4% of the staff. Any changes in the overall size of personnel are actually associated with other arms of Bank Street. As other divisions have reduced their workforce, the proportionate size of the program in relation to the overall College has increased.

Additional evidence and rationale explaining the logic behind how these allocations were appropriately used was provided to support and indicate the following:

- Based upon the audited financials for Bank Street for FY14, the Family Center's budget made up more than 6.5% of Bank Street's total revenue. The administration of this budget and financial operations was a day-to-day workflow for Bank Street.
- For FY14, the Family Center's children made up more than 13% of the children/students educated during the school day by Bank Street, which requires space, security, facilities, and plant functions, as well as other general institution costs to ensure a safe and welcoming environment for all children.
- The space utilized by the Family Center is approximately 9% of the overall space associated with Bank Street's building, within which all of our children and students are educated, provided recreational time in shared spaces, and afforded the support of a dedicated facilities team to ensure a clean and safe environment.
- On average, the staff and faculty associated with the Family Center makes up roughly 4% of the employee population. To support these employees, expenses associated with the Human Resources office, information technology, and computer equipment are all necessary.

Bank Street accepts the disallowance of the apartments as being reduced to \$19,656.

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* Comment 5



As evidenced, Bank Street's Family Center provides high-quality programming aligned with the intent and purpose of the funding received to support such work. To run an inclusive program that maintains the level of quality every child in New York City deserves, parent administrative supports must be in place and effective in providing the support that teachers and staff require in order to deliver on their promises to the children and families they serve.

While the exact formula dictated by the state to calculate these charges appears to have not been properly followed, there was never a question during the audit process that the funds had been used for the intent and purpose of providing the highest quality of programming to some of the city's most vulnerable children. We remain proud of the work that was done to improve our program's procedures and processes and remain steadfast in our resolve to continue providing the highest quality of care to our children.

Other Than Personal Service Costs

For the \$246,872 cited in this section as disallowable, we dispute the \$246,707 associated with the Parent Agency Administrative Costs for the reasons outlined above.

Bank Street notes that including the Parent Agency Administrative Cost in the OTPS section is misleading and redundant as it was already addressed.

For the actual \$165 in disallowable OTPS expenses, Bank Street does not challenge the auditors' finding that there was a lack of evidence sufficient to meet requirements.

We appreciate the opportunity to provide comment and context to the auditors' findings and attest that all funding received functioned to serve the quality programming provided to our (CPSE) children.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shael Polakow-Suransky', is written over a light blue horizontal line.

Shael Polakow-Suransky
President
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State Comptroller's Comments

1. Bank Street officials responded that the costs claimed were reasonable, necessary, or directly related to the program. However, we concluded they were not adequately documented. The responsibility for preparing and maintaining records to support the costs claimed on the CFR rests with Bank Street management (current and former).
Our audit was performed in accordance with government auditing standards. All records provided by Bank Street were thoroughly reviewed, and the recommended disallowances were revised where appropriate. For example, the recommended disallowance of employees' non-mandated fringe benefits was reduced from \$245,035 to \$85,899. Bank Street did not provide adequate supporting documentation for the remaining costs.
2. The response describes the general types of documents provided in support of claimed costs; however, the documentation was not sufficient. For example, showing when an employee swipes in does not support that the employee worked the number of hours claimed for the program under audit. Additionally, the Personnel Action Form indicated work assignment and expected work schedule, but did not prove actual work.
3. We are pleased that Bank Street officials have taken actions since July 2014 to correct the lack of policies and procedures in accordance with the Manual, along with a senior leadership transition. Among the changes were a new Director for the Family Center in the 2015-16 school year and a substantial investment in the Family Center to improve its systems, policies, and structures. However, these actions do not relate to the 2013-14 year, which was the year audited.
4. During our fieldwork, Bank Street officials presented the events of the 2013-14 school year to support that the costs are eligible for reimbursement. However, this is not adequate. They should ensure that the improvements made in Bank Street's administration resulted in the preparation and maintenance of records that are accurate and complete and support the costs reported on the CFR for reimbursement.
5. Bank Street officials state they provided evidence and rationale for the parent agency administration costs, including evidence that staff and faculty associated with the Family Center comprise roughly 4 percent of the employee population. However, Bank Street officials did not provide documents to support the employees associated with the Family Center in 2013-14. Rather, three months after our request for the support, they provided a list of names as evidence. Our review of the list identified that 33 of the individuals were not employees of Bank Street in 2013-14.