

2019 Annual Report on Preschool Special Education

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller



MAY 2020

Message from the Comptroller

May 2020

Special education programs fulfill a great need across New York State, providing a quality learning experience that addresses individual differences and needs to young people with disabilities. While many private special education providers use public funds conscientiously and in accordance with State laws, rules and regulations, there are others that abuse the system and misuse the funding they receive from the State and local governments, squandering taxpayer dollars and depriving disabled children of the learning opportunities they need and deserve.

Over the last decade, my office has found a troubling pattern of mismanagement, waste and even fraud by numerous private providers of preschool special education services. Our audits have uncovered inaccurate and inappropriate self-reported program costs, as well as ineffective program monitoring and oversight. As a result, children needing special education services have been shortchanged by those private providers who have used public funds inappropriately.

The State Legislature responded to these reports of abuse by passing legislation requiring my office to audit the expenses submitted for reimbursement by every provider of preschool special education services to the State Education Department (SED), and to report annually on our findings to the Governor and the Legislature. This is the sixth such annual report.

To improve oversight and management of this essential public program, we've coordinated our audit efforts with SED, the New York City Department of Education, the New York State Association of Counties, and the individual counties themselves. We also provide training to county officials and private providers to explain the importance of this initiative and to discuss the steps in the OSC audit process, the findings of our audits, and the need for strong internal controls.

As we carry out our responsibilities to monitor the costs for preschool special education services, my office will continue to emphasize the importance of critical internal controls and responsible external oversight.

Thomas P. DiNapoli
State Comptroller



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Executive Summary

The State Education Department (SED) oversees special education programs that provide services to students with disabilities between the ages of 3 and 21 in New York State. While most school-age students with disabilities in New York receive their educational services from public school districts, preschool special education services are predominantly provided by private providers. SED reports that, for the 2015-16 school year, about 79,000 preschool students with disabilities received services throughout the State from over 400 approved providers at an annual cost of almost \$1.4 billion to the State and its local governments.

Private special education providers can be for-profit or not-for-profit organizations. These providers must be approved by SED to deliver special education services to children. SED annually develops rates for preschool special education programs operated by approved providers based on actual costs reported to SED. These rates are used to reimburse providers for eligible costs determined by the reimbursement guidelines promulgated by SED and the cost reporting and claiming instructions defined in the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual).

In 2019, OSC completed 18 audits of expenses submitted to SED by preschool special education providers. These audits have cumulatively identified almost \$11.2 million in recommended disallowances, or almost 11 percent of the total claimed expenses of \$103.5 million for the audit period. The audits completed in 2019 indicate ongoing inaccuracies in cost reporting by special education providers to SED.

Since 2004, the Office of the State Comptroller (OSC) has conducted 150 audits of expenses submitted to SED by special education providers. The audits focused on provider compliance with SED cost-reporting guidance and the accuracy and appropriateness of provider-reported program costs. These audits have cumulatively identified over \$96 million in recommended disallowances.

In June 2012, Comptroller DiNapoli announced a new special education audit initiative, which involved a broader, sector-wide perspective as well as multiple simultaneous individual audits, and proposed legislation to improve the oversight of preschool special education providers. As a result, Chapter 545 of the Laws of 2013 was signed into law on December 18, 2013 and became effective immediately. The law required the State Comptroller to audit the expenses reported to SED by every program provider of special education services for preschool children with disabilities, subject to the funding made available by the Legislature for such purpose.

Section 200.18 of the Regulations of the Education Commissioner was amended in 2016 to make clear that SED shall review final audit reports, which shall be used to establish tuition rates based on audit to the extent the Commissioner determines that the audit findings and recommended disallowances contained therein are warranted and consistent with applicable laws, regulations, and guidelines.

OSC Initiative Activities

As required by Section 4410-c of the Education Law, OSC developed a risk assessment process to prioritize the preschool special education audits to be undertaken in accordance with the initiative. OSC established an internal workgroup that identified a number of risk factors and applied them to multiple data sources. In 2019, workgroup activities included refining the risk assessment model developed to select audits.

Collaboration with Other State Agencies

In 2019, OSC's partnership with the Staten Island District Attorney's Office led to the guilty pleas and sentencing of the owners of the Gingerbread Learning Center. The owners pleaded guilty to grand larceny in the second degree and were sentenced to five years' probation. They also paid the State \$800,000 in restitution and asset forfeiture.

Since the beginning of the preschool special education audit initiative, there have been 13 arrests and 11 guilty pleas, as well as \$18,650,587 million in court-ordered recoveries.

No special education cases are pending at this time.

Audit Findings

In 2019, OSC completed 18 audits of expenses submitted to SED by preschool special education providers (see Appendix A and B). These audits have cumulatively identified almost \$11.2 million in recommended disallowances, or almost 11 percent of the total claimed expenses of \$103.5 million for the audit period. There are currently 11 preschool special education audits in progress as of April 2020.

Disallowed expenses range from costs claimed as direct care services provided to children to administrative expenses and services. In the past, OSC's audits of expenses submitted to SED by certain special education providers identified widespread mismanagement and blatant misuse of public funds intended for the education of children with disabilities, as well as outright fraud.

The audits completed in 2019 indicate that there continue to be inaccuracies in cost reporting by special education providers to SED. Although the dollar amount of disallowed expenses decreased from \$14.8 million in 2018 for 18 audits completed to almost \$11.2 million in 2019 for the same number of audits, the share of disallowed costs as a percentage of total dollars claimed is much higher at 10.79 percent in 2019 compared to 3.79 percent in 2018. The number of findings in certain categories continues to be of concern, in particular errors related to the allocation and/or the inappropriate claiming of personal service and other-than-personal-service (OTPS) costs.

The 2019 audit findings are summarized as follows:

Expenses Claimed from Other Programs – Private special education providers can offer more than preschool special educational services to their students. For instance, providers may also offer evaluation services, day care services, early intervention services, or other social services. However, payments for services under these types of programs are based on fixed fees, as opposed to reported costs.

Providers are required to report all revenues, expenses (including personal service and OTPS), staffing, enrollment, and agency administration costs on their Consolidated Fiscal Report (CFR). Some program costs may relate to multiple programs and require providers to allocate these costs among the programs benefiting from the expense. All costs are self-reported within the CFR in the aggregate and by program. Allocation of costs among the programs can be complicated when shared costs are allocated to programs reimbursed by different State agencies. The Consolidated Fiscal Reporting and Claiming Manual (CFR Manual) and the Reimbursable Cost Manual (RCM) explain in detail recommended methods by which various types of costs should be allocated and reported on the CFR.

OSC audits completed and issued in 2019 identified almost \$3.3 million (or about 29 percent of total disallowances) in expenses from other programs charged to the preschool programs. The costs claimed from other programs include both payroll-related expenses and OTPS expenses:

- **Allocation of Payroll Expenses** – The RCM requires salaries of employees who perform tasks for more than one program to be allocated among all programs for which they work. Furthermore, providers must maintain appropriate documentation reflecting the allocation methodology used to distribute hours worked. Of the 18 audits, eight identified a total of over \$3.1 million in payroll costs from other programs charged to the preschool programs, which is significantly higher than the almost \$1.9 million identified in 2018.
- **OTPS Expenses** – SED guidelines require that any expenditure that cannot be charged directly to a specific program be allocated across all programs and/or entities that benefit from the expenditure (e.g., general maintenance and overhead expenses). The RCM requires providers to maintain documentation of the methodologies used to allocate costs to the various programs they operate. In 2019, seven of 18 audits identified problems related to the allocation of OTPS costs and/or the inappropriate claiming of expenses from other programs, as compared to ten out of 18 audits in 2018. The 2019 dollar amount of these audit findings was about \$195,000, much lower than the approximately \$1.1 million identified in 2018.

Personal Service-Related Findings – In addition to the allocation of payroll expenses from other programs previously noted, OSC audits completed and issued in 2019 identified about \$3.8 million of unsupported or ineligible payroll-related expenses:

- **Unsupported or Ineligible Payroll Expenses** – SED requires providers to base employee compensation on approved and documented payrolls, which are supported by time and attendance records for all employees. Also, Section 200.9 of the Regulations of the Commissioner of Education (Regulations) states that providers shall maintain adequate records to document direct and/or indirect service hours provided, as well as time spent on all other activities related to each student served. Fourteen of the 18 audits in 2019 found issues with the maintenance of payroll records and other documentation required by the RCM, as compared to 15 of 18 audits in 2018. However, the dollar amount of the 2019 audit findings increased to over \$3.7 million from \$2.2 million in 2018.
- **Unsupported Bonuses** – SED requires that salary bonuses be based on merit and be supported by performance evaluations to be eligible for reimbursement. The number and dollar value of bonuses not in compliance with SED's provisions declined in 2019. In 2019, three of the 18 audits found evidence of ineligible bonuses with a recommended disallowance of about \$84,000, much less than approximately \$700,000 identified in four audits in 2018.

Findings Related to Other-Than-Personal-Services (OTPS) Expenses – According to the RCM, costs reported on the CFR are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and properly documented. In addition, expenses of a personal nature are not reimbursable. OSC audits completed and issued in 2019 identified over \$3.3 million in unsupported or ineligible OTPS-related expenses, a significant decrease from the \$8.5 million identified in 2018. In 2018, many of the recommended disallowances related to parent company charges and other administrative costs for some of the larger providers.

Unsupported/Ineligible Costs – In 2019, for nearly all the audited programs (17 out of 18), there were findings of ineligible expenses, which were either not program-related or not supported by adequate documentation. However, the audit dollar amounts in 2019 (\$1.3 million) decreased dramatically from 2018 (\$3.5 million). A substantial portion of the decrease relates to a reduction in parent company charges that were unsupported, ineligible, or not properly allocated to the SED special education programs. In 2018, four audits recommended that \$2.1 million in parent company charges be disallowed as compared to 2019, when about \$232,000 (one audit) was identified.

- **Consultant and Professional Services** – The RCM provides extensive guidance on the use of consultants and other professionals, the proper claiming of costs for their services, and related supporting documentation requirements. In addition, costs cannot be claimed for consultant services that could have been performed by a properly certified school officer or an employee who possesses the necessary technical skills. Over half of the audits (10 of 18) completed and issued in 2019—the same number as in 2018—recommended disallowances for consultant and professional services. However, the amount recommended for disallowance in 2019 (about \$882,000) was significantly greater than the approximately \$230,000 recommended in 2018.
- **Vehicle-Related Expenses** – SED allows for the reimbursement of vehicle costs as long as vehicle usage is program-related and documented in logs that include dates, times, purposes, destinations, mileage, and names of persons using the vehicles. Although twice as many audits in 2019 (6 of 18) identified disallowances of vehicle-related expenses as compared to 2018 (3 of 18), the dollar amount of the findings in 2019 was much lower (\$28,439) than 2018 (\$160,272).

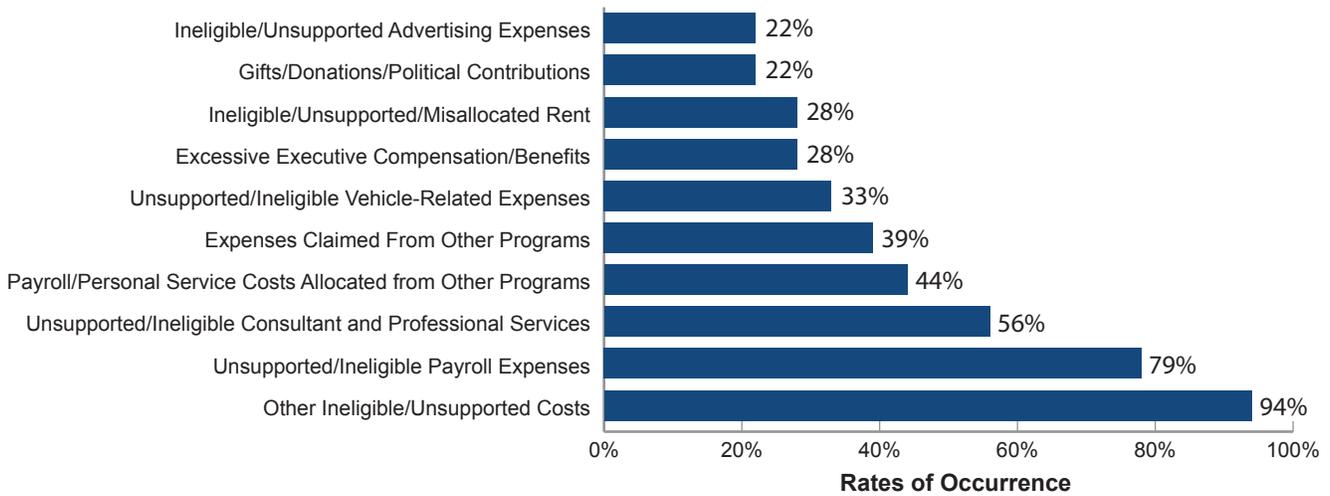
Ineligible/Unsupported or Incorrectly Allocated Rent – According to the CFR Manual (Appendix J), when programs share the same geographic location, property and related costs must be allocated among the programs that benefit from those resources. In addition, the RCM states that rental agreements, including renewals, must be in writing and dated and signed by the lessee and the lessor, and that occupancy costs must be based on actual documented rental charges supported by documentation such as bills or vouchers. In 2019 five audits identified over \$959,000 in findings related to rent that was not appropriately supported or correctly allocated.

Failure to Report Expenses Under Grant Program

According to the RCM, providers must report grants awarded under the Individuals with Disabilities Education Act on the CFR, and must report the related revenues and expenditures in separate cost columns on the CFR. Providers must also maintain verified source documents to support audit inquiries. There were two instances of providers failing to report grant expenditures under the grant program in 2019.

The following graph includes some of the more common findings and their corresponding rates of occurrence of the 18 audits performed, as identified in the 2019 reports.

Patterns of Inappropriate Claimed Expenses for Special Education Services in New York State 2019 Audit Findings



Conclusion

OSC audits of preschool special education providers continue to identify millions of dollars annually in inappropriate charges, including expenses claimed for other programs, reimbursements for unsupported expenditures, and costs incorrectly allocated to special education programs. Accordingly, OSC remains committed to auditing special education providers and emphasizing the importance of critical internal controls and responsible external oversight. OSC encourages State policy makers to uphold the State's longstanding commitment to special education programs and ensure they are sustainable for future generations.

Appendix A

2019 OSC Special Education Program Audits

Provider/Audit Name	Location	Audited Program Costs Reported on CFR	Number of Years in Scope	Total Disallowance
Amerimed Kids, LLC	NYC	\$3,834,192	3	\$975,845
Association to Benefit Children	NYC	\$4,828,543	1	\$263,196
Auditory Oral Learning Center	NYC	\$9,090,396	1	\$1,025,977
Bilingual Care, Inc.	NYC	\$8,939,255	3	\$370,685
Block Institute School	NYC	\$22,357,695	3	\$1,761,867
Children's Development Group	Essex Co.	\$427,599	1	\$166,676
Children's Educational Services, Inc.	Chautauqua Co.	\$725,856	1	\$2,509
Children's Unit for Treatment and Evaluation	Broome Co.	\$1,758,180	3	\$232,606
Early Childhood Learning Center of Greene County	Greene Co.	\$547,761	1	\$12,843
Family and Educational Consultants	Ulster Co.	\$1,052,196	3	\$161,956
League Treatment Center	NYC	\$21,403,285	3	\$3,759,935
Marie Pense Center, LLC	NYC	\$8,037,520	3	\$152,967
Minds in Motion, Inc.	Orange Co.	\$571,094	1	\$27,970
Northside Center for Child Development	NYC	\$2,485,233	1	\$270,040
Psychotherapeutic Evaluational Programs, Inc. dba Parsons Preschool	NYC	\$12,242,469	3	\$1,782,360
Quality Services for the Autism Community	NYC	\$3,712,503	1	\$128,294
Springbrook NY, Inc.	Otsego Co.	\$1,036,353	1	\$56,183
St. Anne Institute	Albany Co.	\$450,000	1	\$14,204
Total		\$103,500,130		\$11,166,113

Appendix B

Special Education Program Audits Completed and Issued in 2019

Amerimed Kids, LLC (Amerimed Kids) (2018-S-17) is a New York City-based for-profit organization approved by SED to provide preschool Special Education Itinerant Teacher (SEIT) services to children with disabilities who are between the ages of three and five years. For the three fiscal years ended June 30, 2015, Amerimed Kids reported \$3,834,192 in reimbursable costs for its SEIT program. The OSC audit recommended disallowances of \$975,845 in costs that did not comply with SED's requirements for reimbursement, including:

- \$797,472 in insufficiently documented personal service costs;
- \$116,920 in insufficiently documented rental expenses involving less-than-arm's-length collaboration agreements to share office space used by other businesses owned by the Assistant Executive Director; and
- \$61,453 in miscellaneous expenses shared with an Early Intervention program.

In a letter dated December 18, 2018, Amerimed Kids officials informed SED of its intent to close the SEIT program.

Association to Benefit Children (ABC) (2017-S-28) is a not-for-profit organization located in New York City authorized by SED to provide, among other programs, preschool special education services to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2014, ABC reported \$4,828,543 in reimbursable costs for its special education programs. The OSC audit recommended disallowances of \$263,196 in costs that did not comply with SED's requirements for reimbursement, including:

- \$164,004 in personal service costs charged to the CFR that did not match ABC's payroll system;
- \$85,496 for depreciation expenses that were either not calculated for the standard useful life periods or were not eligible for depreciation; and
- \$13,696 in OTPS costs that were either without documentation or not reimbursable.

Children's Unit for Treatment and Evaluation (CUTE) (2018-S-47) is a not-for-profit organization located in Broome County, administered by the Research Foundation for the State University of New York at Binghamton University. CUTE is authorized by SED to provide preschool special education services to children with disabilities who are between three and five years of age. For the three fiscal years ended June 30, 2016, CUTE reported \$1,758,180 in reimbursable costs for its special education programs. The OSC audit recommended disallowances of \$232,606 in costs that did not comply with SED's requirements for reimbursement, including \$232,464 in parent agency administrative costs and \$142 in consultant travel costs.

Early Childhood Learning Center of Greene County (ECLC) (2018-S-67) is a not-for-profit organization located in Greene County authorized by SED to provide, among other programs, preschool special education services to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2015, ECLC reported \$547,761 in reimbursable costs for its special education programs. The OSC audit recommended disallowances of \$12,843 in costs that did not comply with SED's requirements for reimbursement, including \$12,198 in consulting and legal fees that did not have supporting documentation identifying the services provided and \$645 for certain non-audit services, depreciation, and advertising expenses that were not reimbursable.

Family and Educational Consultants (FEC) (2018-S-29) is a for-profit organization located in Ulster County authorized by SED to provide, among other programs, preschool special education services to children with disabilities who are between three and five years of age. For the three fiscal years ended June 30, 2015, FEC reported \$1,052,196 in reimbursable costs for its special education programs. The OSC audit recommended disallowances of \$161,956 in costs that did not comply with SED's requirements for reimbursement, including:

- \$96,006 in salary costs for six staff members and the Executive Director that were improperly charged to the special education programs;
- \$47,273 in agency administration costs that were improperly charged directly to the special education programs;
- \$12,200 for costs, such as food and gifts, that were unrelated to the special education programs; and
- \$6,477 in working capital interest due to late filing of the CFR.

Northside Center for Child Development (Northside) (2017-S-15) is a not-for-profit organization located in New York City authorized by SED to provide, among other programs, preschool special education services to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2014, Northside reported \$2,485,233 in reimbursable costs for its special education programs. The OSC audit recommended disallowances of \$270,040 in costs that did not comply with SED's requirements for reimbursement, including:

- \$75,737 in salary expenses that were not supported by time records;
- \$66,228 in non-mandated fringe benefits that were not supported by documentation regarding the allocations charged to the Special Education programs;
- \$10,408 in Agency Administration costs that were unsupported; and
- \$117,667 in OTPS costs that were either incorrectly allocated, unsupported or not reimbursable.

Springbrook NY, Inc. (Springbrook) (2018-S-63) is a not-for-profit organization located in Otsego County authorized by SED to provide, among other programs, preschool special education services to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2015, Springbrook reported \$1,036,353 in reimbursable costs on its CFR for the Preschool Integrated Special Class Program that it operated. The OSC audit recommended disallowances of \$56,183 in costs that did not comply with SED's requirements for reimbursement, including:

- \$39,579 in personal service costs, consisting of \$38,106 in excessive salary costs and \$1,473 for certain life insurance costs; and
- \$16,604 in OTPS, consisting of \$10,368 in undocumented vehicle and staff travel costs, \$3,414 in costs that were unrelated to the special education program, and \$2,822 in other ineligible expenses.

Bilingual Care, Inc. (Bilingual) (2018-S-51) is a New York City-based for-profit organization authorized by SED to provide preschool Special Education Itinerant Teacher (SEIT) services to children with disabilities who are between the ages of three and five years. For the three fiscal years ended June 30, 2015, Bilingual reported \$8,939,255 in reimbursable costs for the SEIT cost-based program. The OSC audit recommended disallowances of \$370,685 in costs that did not comply with SED's requirements for reimbursement, including:

- \$236,117 in excess executive compensation costs;
- \$47,945 in unapproved rental costs;
- \$37,287 in ineligible OTPS costs such as personal vehicle expenses, non-reimbursable income taxes, and other miscellaneous expenses charged to the SEIT program;
- \$27,887 in ineligible bonus payments; and
- \$21,449 in non-allowable health insurance costs.

St. Anne Institute (St. Anne) (2019-S-20) is a not-for-profit organization located in Albany authorized by SED to provide, among other programs, special education services to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2016, St. Anne reported about \$450,000 in reimbursable costs for the Preschool Integrated Special Class Program it operated. The OSC audit recommended disallowances of \$14,204 in costs that did not comply with SED's requirements for reimbursement, including:

- \$7,287 in non-program-related personal service costs, consisting of \$6,010 in salaries and \$1,277 in fringe benefits for employees who were not directly involved in the preschool program; and

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- \$6,917 in OTPS costs, consisting of \$2,434 in non-reimbursable account adjustment and bad debts, \$1,505 in insufficiently documented vehicle expenses, \$1,362 in excess audit and legal costs, \$805 in working capital interest, \$570 in non-audit services, and \$241 in other non-reimbursable costs, such as food, gifts, and donations.

Children’s Development Group, PLLC (CDG) (2019-S-30) is a for-profit organization located in Essex County authorized by SED to provide preschool special education services to children with disabilities who are between three and five years of age. For the reporting year ended June 30, 2016, CDG reported \$427,599 in reimbursable costs for its Preschool Integrated Special Class Program. The OSC audit recommended disallowances of \$166,676 in reported costs that did not comply with SED’s requirements for reimbursement, including \$110,989 for personal service costs for which CDG could not provide appropriate supporting documentation demonstrating that they were for work related to the special education program. The remaining \$55,687 represented \$48,144 in OTPS costs—such as insurance premiums and property lease payments—that did not meet one or more SED requirements related to documentation, and \$7,543 in costs that did not relate to the special education program.

League Treatment Center (LTC) (2018-S-56) is a New York City-based not-for-profit organization authorized by SED to provide preschool special education services to children with disabilities who are between the ages of three and five years. For the three fiscal years ended June 30, 2015, LTC reported \$21,403,285 in reimbursable costs for its Preschool Special Class and Preschool Special Class in an Integrated Setting programs. The OSC audit recommended disallowances of \$3,759,935 in costs that did not comply with SED’s requirements, including:

- \$2,779,515 in compensation for 53 employees whose services were incorrectly allocated to the special education programs;
- \$324,603 in excessive executive compensation;
- \$296,057 in unsupported compensation;
- \$239,222 in ineligible consultant costs;
- \$102,559 in unsupported OTPS costs;
- \$9,089 in other ineligible OTPS costs; and
- \$8,890 in inequitable pension contributions.

Psychotherapeutic Evaluational Programs, Inc. dba Parsons Preschool (Parsons) (2018-S-26) is a New York City-based for-profit organization authorized by SED to provide services to children with disabilities who are between the ages of three and five years. For the three fiscal years ended June 30, 2015, Parsons reported approximately \$12,242,469 in reimbursable costs for Preschool Programs: Special Class, Special Class in an Integrated Setting, and Special Education Itinerant Teacher (SEIT) services. Parsons' SEIT program was discontinued at the end of the 2012-13 fiscal year. The OSC audit identified \$1,782,360 in costs that did not comply with SED's requirements for reimbursement, including:

- \$612,855 in non-reimbursable personal service costs associated with paid lunch periods for employees;
- \$394,811 in undocumented rental expenses;
- \$221,417 in rental expenses incorrectly charged to the cost-based programs;
- \$159,781 in undocumented and/or insufficiently documented expenses, including a \$94,010 levy by the Department of Taxation and Finance;
- \$125,841 in undocumented expenses for repairs and maintenance, supplies and materials, consulting, vehicle usage, and cell phones;
- \$115,714 in utility, equipment, repair and maintenance, cleaning, elevator, air conditioning, telephone, and extermination expenses that should have been allocated to another organization;
- \$89,989 in accrued rental expenses for which Parsons officials could not provide documentation to show that the rent was paid; and
- \$61,952 in Unemployment Insurance contributions, which had been charged at a higher rate due to the failure of Parsons failed to pay its contributions in a timely manner.

Children's Education Services, Inc. (CES) (2019-S-24) is a for-profit organization located in Jamestown authorized by SED to provide preschool Special Education Itinerant Teacher (SEIT) services and Special Class in an Integrated Setting programs to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2015, CES reported \$725,856 in reimbursable costs for its preschool programs. The OSC audit recommended disallowances of \$2,509 in OTPS costs, which included \$1,952 for non-allowable expenses and \$557 in unsupported agency administration expenses for rent and supplies.

Marie Pense Center, LLC (Marie Pense) (2019-S-36) is a New York City-based for-profit organization authorized by SED to provide preschool Special Education Itinerant Teacher (SEIT) services to children with disabilities who are between the ages of three and five years. For the three fiscal years ended June 30, 2015, Marie Pense reported \$8,037,520 in reimbursable costs for the SEIT program. The OSC audit recommended disallowances of \$152,967 in costs that did not comply with SED's requirements for reimbursement, including:

- \$71,760 in pension costs that did not comply with SED's requirements for reimbursement;
- \$29,519 in over-allocated compensation costs associated with shared employees;
- \$25,893 in miscellaneous OTPS costs, including \$23,446 in unsupported costs and \$2,447 in costs that were not eligible for reimbursement;
- \$8,816 in non-allowable rental expenses;
- \$7,822 in unsupported compensation expenses;
- \$7,582 in unsupported depreciation expenses; and
- \$1,575 in H1 visa costs that did not meet SED's requirements for reimbursement.

Minds in Motion, Inc. (MIM) (2019-S-28) is a for-profit special education provider located in Newburgh authorized by SED to provide preschool Special Education Itinerant Teacher (SEIT) services to children with disabilities who are between three and five years of age. For the fiscal year ended June 30, 2015, MIM reported \$571,094 in reimbursable costs for the SEIT program. The OSC audit recommended disallowances of \$27,970 in costs that did not comply with SED's requirements for reimbursement, including:

- \$25,412 in personal service costs, consisting of \$20,003 in salaries and \$1,994 in fringe benefits for compensation to an executive that exceeded 1.0 full-time equivalent, and \$3,024 in salaries and \$391 in fringe benefits for executive compensation that was inappropriately allocated to the preschool program; and
- \$2,558 in OTPS costs, consisting of \$1,580 in expenses that lacked appropriate documentation or were not program related, \$933 in costs for meals provided at meetings for staff, and \$45 in gifts.

Block Institute School (Block) (2018-S-69) is a New York City-based not-for-profit organization authorized by SED to provide preschool Special Class and preschool Special Class in an Integrated Setting programs to children with disabilities who are between the ages of three and five years. For the three fiscal years ended June 30, 2017, Block reported \$22,357,695 in costs for its SED preschool programs. The OSC audit recommended disallowances of \$1,761,867 in costs that did not comply with SED's requirements for reimbursement, including:

- \$922,765 in inadequately documented compensation costs for teaching staff;

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- \$588,874 in inadequately documented OTPS costs, including \$32,682 for legal expenses that were not supported by invoices;
 - \$198,689 in other ineligible costs, including \$98,347 in excess executive compensation and \$38,283 in expenses that were not related to the SED preschool programs; and
 - \$51,539 in over-allocated nurse compensation costs.

Quality Services for the Autism Community (QSAC) (2018-S-8) is a New York City- and Long Island-based not-for-profit organization approved by SED to provide Preschool Special Class (SC) and Preschool Special Education Itinerant Teacher (SEIT) program services to children with autism who are between three and five years of age. For the fiscal year ended June 30, 2015, QSAC reported \$3,712,503 in costs for SC and SEIT. The OSC audit recommended \$128,294 in disallowances for costs that did not comply with SED's requirements for reimbursement, including:

- \$99,363 in incorrectly allocated or insufficiently documented personal service costs;
- \$12,428 in non-mandated fringe benefits (the benefits were not proportionately similar or available to all QSAC employees in compliance with SED's reimbursement requirements);
- \$11,607 in incorrectly claimed rent;
- \$2,699 in insufficiently documented depreciation expenses;
- \$1,291 in insufficiently documented and incorrectly allocated advertising expenses;
- \$505 in insufficiently documented dues and subscriptions; and
- \$401 for food for administrative staff.

Auditory Oral Learning Center (AOLC) (2016-S-94) is a New York City-based not-for-profit organization authorized by SED to provide preschool Special Education Itinerant Teacher (SEIT) services, Special Class, and Special Class in an Integrated Setting programs to children with disabilities who are between the ages of three and five years. For the fiscal year ended June 30, 2014, AOLC reported \$9,090,396 in costs for the programs. The OSC audit recommended disallowances of \$1,025,977 in costs that did not comply with SED's reimbursement requirements, including:

- \$334,774 in employee compensation that was not properly supported by time and attendance records; and
- \$691,203 in OTPS costs and in depreciation that was not supported by appropriate substantiating documentation.

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