



New York State Comptroller
THOMAS P. DiNAPOLI

Through Ages, Inc. – Compliance With the Reimbursable Cost Manual

State Education Department

Report 2019-S-56 | June 2020

Spotlight on Education



Audit Highlights

Objective

To determine whether the costs reported by Through Ages, Inc. (Through Ages) on its Consolidated Fiscal Reports (CFRs) were reasonable, necessary, directly related to the special education program, and sufficiently documented pursuant to the State Education Department's (SED) Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual). The audit focused primarily on expenses claimed on Through Ages' CFR for the fiscal year ended June 30, 2015 and certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2014.

About the Program

Through Ages 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. During the 2014-15 school year, Through Ages served 198 students. Through Ages also operated another SED-approved preschool special education program, Related Services. However, payments for services under this program are based on fixed fees.

The New York City Department of Education (DOE) refers students to Through Ages and pays for its services using rates established by SED. The rates are based on the financial information Through Ages reports to SED on its annual CFRs. For the three fiscal years ended June 30, 2015, Through Ages reported approximately \$13.7 million in reimbursable costs for the SEIT preschool cost-based program.

Key Findings

For the three fiscal years ended June 30, 2015, we identified \$137,377 in reported costs that did not comply with the requirements in the RCM and CFR Manual and recommend that such costs be disallowed. These costs included \$350 in personal service costs and \$137,027 in other than personal service costs, as follows:

- \$121,317 in insufficiently documented and/or incorrectly allocated costs;
- \$7,366 in unsupported or ineligible other than personal service costs;
- \$5,200 in underreported offsetting interest revenue;
- \$3,144 in overreported depreciation expenses; and
- \$350 in excessive compensation costs.

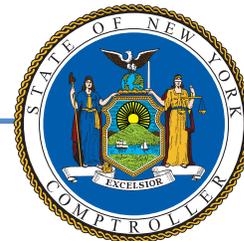
Key Recommendations

To SED:

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

To Through Ages:

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



Office of the State Comptroller Division of State Government Accountability

June 3, 2020

Ms. Shannon Tahoe
Interim Commissioner
State Education Department
State Education Building
89 Washington Avenue
Albany, NY 12234

Mr. Aleksandr Tolmach
Executive Director
Through Ages, Inc.
711 Avenue U
Brooklyn, NY 11223

Dear Ms. Tahoe and Mr. Tolmach:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage government resources efficiently and, by so doing, providing accountability for tax dollars spent to support government-funded services and 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 Through Ages, Inc. to the State Education Department for the purposes of establishing 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 report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
CFR	Consolidated Fiscal Report	<i>Key Term</i>
CFR Manual	Consolidated Fiscal Reporting and Claiming Manual	<i>Policy</i>
DOE	New York City Department of Education	<i>Agency</i>
OTPS	Other than personal services	<i>Key Term</i>
RCM	Reimbursable Cost Manual	<i>Policy</i>
SED	State Education Department	<i>Auditee</i>
SEIT	Special Education Itinerant Teacher	<i>Key Term</i>
Through Ages	Through Ages, Inc.	<i>Service Provider</i>

Background

Through Ages, Inc. (Through Ages) is a New York City-based for-profit organization approved by the State Education Department (SED) to provide preschool Special Education Itinerant Teacher (SEIT) services to children with disabilities who are between the ages of three and five years. During the 2014-15 school year, Through Ages served 198 students. In addition to the SEIT cost-based program, Through Ages operated another SED-approved preschool special education program, Related Services. However, payments for services under this program are based on fixed fees.

The New York City Department of Education (DOE) refers students to Through Ages based on clinical evaluations and pays for its services using rates established by SED. These rates are based on the financial information Through Ages reports to SED on its annual Consolidated Fiscal Reports (CFRs). To qualify for reimbursement, Through Ages' expenses must comply with the criteria set forth in SED's Reimbursable Cost Manual (RCM) and the Consolidated Fiscal Reporting and Claiming Manual (CFR Manual), which provide guidance to special education providers on the eligibility of reimbursable costs, the documentation necessary to support these costs, and cost allocation requirements for expenses relating to multiple programs and entities. SED reimburses DOE 59.5 percent of the statutory rate it pays to Through Ages.

For the three fiscal years ended June 30, 2015, Through Ages reported approximately \$13.7 million in reimbursable costs for the SEIT preschool cost-based program. This audit focused primarily on expenses claimed on Through Ages' CFR for the fiscal year ended June 30, 2015 and certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2014.

Audit Findings and Recommendations

According to the RCM, costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. For the three fiscal years ended June 30, 2015, we identified \$137,377 in reported costs that did not comply with SED's requirements for reimbursement. These ineligible costs included \$350 in personal service costs and \$137,027 in other than personal service (OTPS) costs (see Exhibit at the end of the report).

Strong internal controls are critical to the overall health of an organization. These controls help to safeguard assets and ensure reliable financial reporting and compliance with regulatory requirements. We attributed the disallowances detailed in this report to weaknesses in Through Ages' internal controls over its compliance with SED's requirements.

Personal Service Costs

Personal service costs, which include all salaries and fringe benefits paid or accrued to employees on the service provider'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). For the three fiscal years ended June 30, 2015, Through Ages reported approximately \$13 million in personal service costs for the SEIT preschool cost-based program. We identified \$350 in personal service costs that did not comply with the RCM's requirements for reimbursement.

Excessive Compensation

According to the RCM, costs will be considered for reimbursement if they are reasonable, necessary, directly related to the education program, and sufficiently documented. Section III of the RCM states that costs will not be reimbursable on field audit without appropriate written documentation of costs. According to the RCM, compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time cards prepared during, not after, the time period for which the employee was paid. We identified \$350 (\$285 in salaries and \$65 in fringe benefits) in compensation that was not in compliance with the requirements of the RCM.

For the fiscal year ended June 30, 2015, Through Ages reported that an employee worked both as an Individualized Education Program (IEP) Coordinator and as a SEIT teacher. We reviewed the employee's time records and determined that a time entry for her position as an IEP Coordinator conflicted with the time entry for her position as a SEIT teacher. Consequently, \$350 (\$285 in salaries and \$65 in fringe benefits) in excess compensation was reported to the SEIT preschool cost-based program.

We recommend that SED disallow the \$350 in compensation that was not in compliance with the RCM's requirements.

Other Than Personal Service Costs

According to the RCM, costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. For the three fiscal years ended June 30, 2015, Through Ages reported approximately \$647,000 in OTPS expenses for its SEIT preschool cost-based program. We identified \$137,027 of these expenses that did not comply with SED's reimbursement requirements, as follows.

Consultant Costs

According to the RCM, costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented. Additionally, the RCM states that costs will not be reimbursable on field audit without appropriate written documentation. 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; for each service, the date(s), number of hours provided, and fee per hour; and the total amount charged.

For the three fiscal years ended June 30, 2015, we identified \$121,317 in costs that did not comply with the RCM requirements, as follows:

- \$67,817 in computer service costs for which the contractor's invoices did not contain the details (e.g., service dates) required by the RCM;
- \$51,963 in audit and accounting service costs for which the contractor's invoice did not contain the details (e.g., service dates, number of hours provided) required by the RCM; and
- \$1,537 in costs not directly related to the SEIT preschool cost-based program.

We recommend that SED disallow \$121,317 in costs, including \$119,780 in insufficiently documented consultant costs and \$1,537 in costs that were incorrectly allocated to the SEIT preschool cost-based program.

Unsupported or Ineligible Expenses

According to the RCM, costs will not be reimbursable on field audit without appropriate written documentation of costs. The RCM also states that gifts of any kind are non-reimbursable. Moreover, the RCM states that costs of food provided to any staff including lunchroom monitors are not reimbursable. In addition, costs for food, beverages, entertainment, and other related costs for meetings, including Board meetings, are not reimbursable.

We identified \$7,366 in reported costs that were ineligible for reimbursement because they did not comply with the requirements in the RCM. These costs consisted of:

-
- \$6,719 in unsupported insurance and office expenses;
 - \$541 in food purchases; and
 - \$106 in gifts.

We recommend that SED disallow the \$7,366 in expenses that did not comply with the RCM's requirements.

Underreported Offsetting Revenue

The CFR Manual instructs providers to report interest/dividend investment income earned on program/site assets on Schedule CFR-1. This income is used to offset the expenses reported by providers on their CFRs.

During the three fiscal years ended June 30, 2015, Through Ages reported an accumulated deficit of more than \$300,000. During this same period, the Executive Director (ED) borrowed a total of \$143,466 from Through Ages. The first loan, for \$62,580, was incurred in June 2012; two other loans for \$30,886 and \$50,000 were incurred in June 2013 and September 2013, respectively. The ED signed the three loan agreements as both borrower and lender and charged himself a 2 percent annual interest rate for each loan. This interest rate was lower than the 3.25 percent prime rate¹ for the respective periods. The ED began repaying the loans in September 2013 and, based on the agreements, is scheduled to repay the loans in full by 2027.

In addition, we determined that, as of June 30, 2015, Through Ages should have reported \$8,218 in offsetting interest revenue from the three loans on its CFRs for the three fiscal years ended June 30, 2015. However, Through Ages reported just \$3,018 – in effect, underreporting offsetting revenue by \$5,200.

Consequently, we recommend SED disallow \$5,200, the amount of additional interest revenue that Through Ages should have reported on its CFRs.

Overreported Depreciation Expenses

The RCM requires that items with a unit cost of \$5,000 or more and an estimated useful life of two years or more be capitalized. Moreover, the CFR Manual states that the “straight line method” of depreciation must be used for all classes of assets funded by State agencies. For the fiscal year ended June 30, 2015, we identified \$3,144 in depreciation expenses that were not in compliance with the requirements of the RCM.

We determined that Through Ages did not use the straight line method of depreciation; instead, Through Ages used the 200 percent declining balance method, a depreciation method not allowed by the CFR Manual. Consequently, Through Ages reported \$3,687 in depreciation expenses instead of \$543 – the amount that should have been reported using the straight line/half-year convention method.

¹ Prime rate is the interest rate at which banks will lend money to their most favored customers.

We recommend that SED disallow \$3,144 in depreciation expenses that were overreported to the SEIT preschool cost-based program.

Recommendations

To SED:

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

To Through Ages:

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

Audit Scope, Objective, and Methodology

The objective of our audit was to determine whether the costs reported by Through Ages on its CFRs were reasonable, necessary, directly related to the special education program, and sufficiently documented, pursuant to SED guidelines. The audit focused primarily on expenses claimed on Through Ages' CFR for the fiscal year ended June 30, 2015, and certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2014.

To accomplish our objective, we reviewed the RCM, the CFR Manual, the Regulations of the Commissioner of Education, Through Ages' CFRs, and relevant financial and program records for the audited period. In addition, we evaluated the internal controls over the costs claimed on, and the schedules prepared in support of, the CFRs submitted to SED. We also interviewed Through Ages officials, staff, and its independent auditor to obtain an understanding of Through Ages' financial and business practices. Additionally, we selected 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, based on prior audit report findings, such as salaries and fringe benefit expenses, rent expenses, and OTPS expenses. Our samples were 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.

Statutory Requirements

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.

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.

Reporting Requirements

We provided draft copies of this report to SED and Through Ages officials for their review and formal comment. Their comments were considered in preparing this final report and are included in their entirety at the end of it. In their response, SED officials agreed with our recommendations and indicated that they will take steps to address them. In their response, Through Ages officials generally accepted most of our conclusions, but disagreed with other proposed disallowances. Our responses to certain Through Ages comments are included in the report's State Comptroller's Comments.

Within 180 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 where the recommendations were not implemented, the reasons why.

Exhibit

Through Ages
Summary of Submitted and Disallowed Program Costs
for the 2012-13, 2013-14, and 2014-15 Fiscal Years

Program Costs	Amount Claimed on CFR	Amount Disallowed	Amount Remaining	Notes to Exhibit
Personal Services				
Direct Care	\$12,151,260	\$350	\$12,150,910	A,F,G
Agency Administration	923,344	0	923,344	
Total Personal Services	\$13,074,604	\$350	\$13,074,254	
Other Than Personal Services				
Direct Care	\$124,965	\$10,790	\$114,175	A-E,H-J
Agency Administration	521,878	126,237	395,641	
Total Other Than Personal Services	\$646,843	\$137,027	\$509,816	
Total Program Costs	\$13,721,447	\$137,377	\$13,584,070	

Notes to Exhibit

The following Notes refer to specific sections of SED's RCM and the CFR Manual used to develop our recommended disallowances. Although we looked at three years, the section numbers and requirements did not change from year to year. We summarized the applicable sections to explain the basis for each disallowance. We provided the details supporting our recommended disallowances to SED and Through Ages officials during the course of our audit.

- A. RCM Section II – Costs will be considered for reimbursement provided such costs are reasonable, necessary, directly related to the special education program, and sufficiently documented.
- B. RCM 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.
- C. RCM Section II.22.C – Costs of food provided to any staff, including lunchroom monitors, are not reimbursable.
- D. RCM Section II.24 – Gifts of any kind are not reimbursable.
- E. RCM Section II.30.C – Costs for food, beverages, entertainment, and other related costs for meetings, including Board meetings, are not reimbursable.
- F. RCM Section III.1 – Costs will not be reimbursable on field audit without appropriate written documentation of costs.
- G. RCM Section III.1.A – Compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time cards prepared during, not after, the time period for which the employee was paid.
- H. RCM 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; for each service, the date(s), number of hours provided, and 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.
- I. CFR Manual Appendix O, Section 48, Page 48.1 – The “straight line method” of depreciation must be used for all classes of assets funded by State agencies. Use of the one-month, six-month, or full-year convention is acceptable.
- J. CFR Manual CFR-1, Section 13.0, Page 13.19 – Interest/dividend investment income earned on program/site assets.

Agency Comments - State Education Department



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

DEPUTY COMMISSIONER
Office of Performance Improvement and Management Services
O: 518.473-4706
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May 19, 2020

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

Dear Mr. Sifontes:

The following is the New York State Education Department's (SED) response to the draft audit report, 2019-S-56, Through Ages, Inc. (Through Ages) - Compliance With the Reimbursable Cost Manual.

Recommendation 1:

"Review the recommended disallowances identified by our audit and make the necessary adjustments to the costs reported on Through Ages' CFRs and to Through Ages' tuition reimbursement rates, as warranted."

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:

"Remind Through Ages' officials of the pertinent SED requirements that relate to the deficiencies we identified."

We agree with this recommendation. SED will continue to provide technical assistance whenever requested and will strongly recommend the Through Ages' officials avail themselves of our assistance to help them better understand the rules for cost reporting and criteria for cost reimbursement as presented in the CFR, Regulation and the Reimbursable Cost Manual (RCM). Furthermore, SED will alert Through Ages of online CFR training that is available on SED's webpage. SED recommends that all individuals signing the CFR certification statements, namely the Executive Director and Certified Public Accountant, 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 Brian Zawistowski, Assistant Director of the Rate Setting Unit, at (518) 474-3227.

Sincerely,



Sharon Cates-Williams
Deputy Commissioner

cc: Phyllis Morris
Christopher Suriano
Suzanne Bolling
Traci Coleman
Brian Zawistowski
James Kampf
Jerry Nestleroad

Agency Comments - Through Ages, Inc.



Pamela A. Madeiros
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April 30, 2020

Ms. Diane Gustard
Audit Supervisor
Office of the State Comptroller
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: State Education Department
Reimbursable Cost Manual
Audit Report 2019-S-056
Through Ages, Inc.
Draft Audit Report

Dear Ms. Gustard:

We have reviewed the above-referenced Draft Audit Report concerning Through Ages' compliance with the Reimbursement Cost Manual, specifically as relates to Through Ages' New York State Education Department funded 9135 program for the three fiscal years ending June 30, 2015. We appreciate the opportunity to review the auditors' findings to ensure that there is not additional information that needs to be considered in formulating the audit conclusion, but which may not yet have been provided to the auditors and to provide comment and context where necessary and appropriate.

General Comment

As the Office is aware, the NYC OAG conducted a series of financial and compliance reviews of the SEIT Program operated by Through Ages for the period July 1, 2013 through June 30, 2014. For all the reasons we have previously shared with OSC Counsel, we again assert that the OSC is constrained to audit only those years before and after the 2013-2014 school year. To apply the identical protocol as applied by the OAG for the 2013-24 year yet again for the same 2013-14 year would conflict with the protocols against multiple auditors provided by Education Law, section 4410. Notwithstanding this asserted challenge, we offer the following comments and clarifications:

[Comment 1](#)

Personal Services

Compensation Expense

We do not challenge the auditors' finding that on a single isolated occasion due to human error, the time entry of a specific individual in her position as IEP Coordinator conflicted with a time entry in her position as a SEIT provider to the extent of \$350 in compensation. We do,

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however, take exception to the characterization of the compensation as “excessive” and request the error be more appropriately characterized as “not in compliance with the RCM requirements.”

[Comment 2](#)

Other Than Personal Services

Consultant Costs

We respectfully challenge the auditors’ claim that invoices for computer science costs did not contain the requisite detail of the RCM. The scope of the service contract reviewed by the auditors detailed the contract components of the “project” contract. As is standard for such “project” contracts, the monthly invoices set out descriptions of general services and work performed without allocation of actual time spent on task. The flat monthly fee of \$2,000 is set out, with sufficiently supporting detail of work performed. The nature of a “project” contract does not lend itself to dates and time on task, as the auditors’ assert. Accordingly, we request the proposed disallowance of \$ 67,817 in computer services costs be re-instated. We believe that the auditors have misapplied the “invoice detail” provisions of the RCM. We believe strongly that the intended interpretation of the requirement is that so long as the terms of the contract are reasonable and well-articulated, and the fee is reasonable and fair, the propriety of the contract and the payment of fees thereunder is established and unrefutable.

[Comment 3](#)

We similarly challenge the auditors’ finding that certain audit and accounting service costs lack the requisite invoice detail. As the document shared with the auditors attests, the Accounting Service company had provided detailed descriptions of services provided with associated fees. At our request, the Accounting Service company provided additional detail of rates, time spent on task and cost per service based upon records maintained contemporaneously with the services provided. Importantly, the descriptions and allocation of time on task for the 2012-13 and the 2013-14 audit years is identical to the descriptions and allocations provided on the 2014-15 invoices. The combination of provided invoices, augmented invoices and Accounting Service company attestation as to the integrity of the documentation provided compel reinstatement of the proposed \$51,963 disallowance.

[Comment 4](#)

We do not, however, challenge the auditors’ finding that \$1,537 in Accounting fees had been mistakenly reported as preschool costs rather than appropriately allocated to the Related Service center.

Unsupported or Ineligible Expenses

We do not challenge the proposed disallowance of \$541 in food purchases and \$106 in gift expenses which, while incurred exclusively for the benefit of our staff, should have been reported as non-reimbursable.

As relates to certain insurance and office expenses, Through Ages had relied heavily on the expertise and advice of its accounting consultant in the preparation of the CFR, apparently, to its disadvantage. Upon the advice of the consultant, the CFR reflected two entries – Insurance General (CFR 1, line 39) Accounts Renewable (\$2,445.00) and Office Expenses (CFR 3, line 10) (\$4,408.06). We had provided the auditors an explanation of these entries from the consultant.

[Comment 5](#)

Reporting of Depreciation Expenses

Through Ages had relied on the expertise of certain accountant consultants in the determination of depreciation expenses. Clearly, that reliance was to our disadvantage.

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Accordingly, we do not challenge the auditors finding that an inappropriate method was used to calculate depreciating expenses to the extent of \$3,144.

Off-Setting Revenue

Once again, the advice of the agency’s accountant consultant did not serve Through Ages well. It was at the advice of the consultant that a “loan” arrangement was devised to rectify a prior error by the same consultant around owner distributions.

The Office of the Auditor General identified the errors in its review of the 2013-14 year and directed Through Ages to repay to the NYCDOE all proceeds which had been erroneously paid out as owner distributions. Accordingly, the agency has repaid predetermined amounts consistent with a 7-year payment plan for the past 5 years to ensure there is no unjust enrichment occasioned by the consultant’s accounting error.

Accordingly, we believe the matter of the “loan” and related concerns around the appropriate interest rate have been addressed to the satisfaction of NYSED and NYCDOE outside the scope of the OSC audit here. We respectfully request that the matter be deleted in entirety, then, from the narrative.

We would not, however, challenge the auditors’ revised narrative and finding that certain off-setting revenue had been underreported to the extent of \$5,200.

[Comment 6](#)

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We appreciate the opportunity to provide these comments and additional information.

Very truly yours,



GREENBERG TRAUERIG, LLP

PAM/maf
Enclosures

cc: Jiaying Li, OSC
Jenrick Sifontes, OSC
Steven Lynch, OSC
Traci Coleman, NYSED
Brian Zawistowski, NYSED
Jerry Westeroad, NYSED

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State Comptroller's Comments

- 1.** We disagree. Section 4410(11)(c)(i) of the Education Law applies to audits conducted by municipalities, not the State. In addition, NYCRR Title 8, Section 200.18(b) states that, prior to commencing a fiscal audit of a preschool program under this subparagraph, a municipality is required to ascertain whether the State or another municipality has performed a fiscal audit of the same services or programs within the current fiscal year for the same preschool program. If so, the municipality is precluded from conducting an additional fiscal audit. However, the State Comptroller is not subject to this audit constraint. In addition, the financial and compliance reviews performed by the DOE Office of Auditor General (OAG) were a limited scope review. In its review, the OAG noted that a full-scope audit still may be conducted at any time after its field review.
- 2.** We used the term “excessive” to mean exceeding the proper amount.
- 3.** There has been no misapplication of the invoice details provision of the RCM. The RCM requires that all payments be supported by itemized invoices that indicate the specific services actually provided; for each service, the date(s), number of hours provided, and fee per hour; and the total amount charged.
- 4.** We disagree. The additional information provided to us did not reflect the hourly rate associated with each service, as required. Further, there were discrepancies between the invoice amounts and supporting documents (e.g., canceled checks and general ledgers). Refer to Comment 3.
- 5.** We stand by our findings. Although Through Ages relied on the expertise and advice of its accounting consultant in the preparation of the CFR, Through Ages officials are ultimately responsible for ensuring the accuracy of the CFR and that reported expenses are sufficiently documented.
- 6.** We disagree and maintain that our findings are within the scope of the audit. Background information concerning the loan showed that the school underreported offsetting revenue, thus inflating its reimbursable costs. Moreover, our audit is independent of both SED and DOE.

Contributors to Report

Executive Team

Tina Kim - *Deputy Comptroller*
Ken Shulman - *Assistant Comptroller*

Audit Team

Kenrick Sifontes - *Audit Director*
Stephen Lynch - *Audit Manager*
Diane Gustard - *Audit Supervisor*
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