Audit Report

Nassau Suffolk Services for the Autistic, Inc.
The Martin C. Barell School

For the Period

July 1, 1996 through June 30, 1997

SE-1298-1

June 30, 2002

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Audit Services
Albany, New York 12234

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

Daniel Tworek, Director
Office of Audit Services
Room 524 EB
Tel. (518) 473-4516
Fax (518) 473-0259
E-mail: dtworek@mail.nysed.gov

August 1, 2002

Ms. Kathleen Mannion
Board President
Nassau Suffolk Services for the Autistic, Inc.
The Martin C. Barell School
11 Laurel Lane
Levittown, New York 11756

Dear Ms. Mannion:

The following is the final audit report (SE-1298-1) of the Nassau Suffolk Services for the Autistic, Inc./The Martin C. Barell School for the period July 1, 1996 through June 30, 1997. The audit was conducted pursuant to Section 305 of the Education Law in pursuit of Goal #5 of the Board of Regents/State Education Department Strategic Plan: "Resources under our care will be used or maintained in the public interest."

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from the issuance of a final audit report. Appendix C describes the process to be followed in the event of such disagreement.

Ninety days from the issuance of this report, District officials will be asked to submit a report on actions taken as a result of this audit. This required report will be in the format of a recommendation implementation plan and it must specifically address what actions have been taken on each audit recommendation.

I appreciate the cooperation and courtesies extended to the staff during the audit.

Sincerely,

Daniel Tworek

Enclosure

cc: R. Calhoun, R. Cate, L. Gloeckler, T. Hamel, R. Levay, T. Sheldon, B. Mason (OSC), C. Foster (DOB), H. Sovronsky (Nassau County), S. Ejaz (Nassau County), P. Gerhardt, Executive Director

Executive Summary

Background and Scope of the Audit

The Nassau Suffolk Services for the Autistic, Inc. operates the Martin C. Barell School (School). The School, located in Levittown, New York, Nassau County, is a private, non-profit school for children with autism. The School served 24 special education students with its staff of 27 and spent over $1.1 million during the 1996-97 school year. The audit examined selected management practices, records, and documentation for the period July 1, 1996 through June 30, 1997. This was a financial related audit and our primary objective was to assess the accuracy and reliability of information reported to the Department including expenses, revenue and FTE students.

Audit Results

The audit decreased net reimbursable expenses for the special education programs by $159,263 as shown on Exhibit A. A portion of these expenses was reallocated to other programs. A summary of the audit results follows. A more detailed discussion is presented in the main text of the report on the pages referenced.

- The School claimed certain non-reimbursable expenses including two aides, conference and travel expenses, fundraising expenses, employee bonuses, and other expenses (pages 4-7).

- The School did not properly classify and report certain expenses and revenue including unpaid accrued sick and personal days, prior period expenses, and grant revenue and expenses (pages 8-9).

- Certain expenses were not adequately documented including consultant services and amortized startup costs (pages 9-11).

- The School did not allocate or properly document certain expenses including program cost, direct care salaries, rent and agency administration costs (pages 11-14).

- The School accurately calculated FTE attendance, but did not adequately document student absences (page 16).

- The School implemented many of the necessary internal controls and complied, in all material respects, with applicable laws, regulations and policies. However, improvements are needed in accounting and reporting revenue and expenses. In addition, the School could also improve certain other areas including employee time sheets, inventory records, financial statement disclosures, and staff FTE (pages 17-19).

Comments of School Officials

School officials' comments about the findings were considered in preparing this report. Their comments are included as Appendix B to the final report. School officials generally agreed with the recommendations and stated they have already addressed many of the recommendations. However, they disagreed with some of the specific audit adjustments.

Auditor's Note

In regard to the audit adjustments, School officials did not provide adequate documentation to show the expenses were reasonable, necessary and directly related to the education program.

Exhibit A

The Martin C. Barell School
Schedule of Audit Adjustments to Reported Expenses Revised
1996-1997

Item	School Age	Preschool	School Grant	Total School Programs	OMRDD Respite Program	Other Programs	Total Agency Admin	TOTALS
Reported Expenses:								
Program Site	$793,974	$90,701	$0	$884,675	$99,388	$38,985		$1,023,048
Agency Administration	232,921	26,605		259,526	26,764		286,290	286,290
Total Reported Expenses	1,026,895	117,306		1,144,201	126,152	38,985	286,290	1,309,338
Adjustments to Reported Expenses:								
Non-reimbursable Expenses	(66,021)	(7,565)		(73,586)			(31,671)	(105,257)
Accounting and Reporting Errors	(21,101)	(2,418)	10,192	(13,327)				(13,327)
Undocumented Expenses	(13,068)	(1,497)		(14,565)				(14,565)
Allocations - Program Expenses	(34,076)	(19,037)		(53,113)	(4,371)	30,000	57,484	30,000
Total Adjustments Program Expenses	(134,266)	(30,517)	10,192	(154,591)	(4,371)	30,000	25,813	(103,149)
Audited Program Expenses	659,708	60,184	10,192	730,084	95,017	68,985	312,103	1,206,189
Reallocation of Agency Administration	230,287	21,009	3,558	254,854	33,168	24,081	(312,103)	0
Reallocation of Agency Administration from Grants to School age and Preschool	2,513	229	(2,742)	-	-	-	-	-
Audited Net Expenses	$892,508	$81,422	$11,008	$984,938	$128,185	$93,066	0	$1,206,189
Reported Net Expenses	$1,026,895	$117,306	$0	$1,144,201	$126,152	$38,985		$1,309,338
Audit Adjustment	($134,387)	($35,844)	$11,008	($159,263)	$2,033	$54,081		($103,149)

Exhibit B

Martin C. Barell School
Schedule of Audit Adjustments to FTE Attendance
For the Period July 1, 1996 through June 30, 1997

Two Month Program

	Preschool	School-age	Total
Reported FTE	2.000	22.000	24.000
Adjustment	0	0.334	0.334
Audited FTE	2.000	21.666	23.666

Ten Month Program

	Preschool	School-age	Total
Reported FTE	2.00	22.000	24.000
Adjustment	0	0	0
Audited FTE	2.000	22.000	24.000

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Introduction

Background

The State Education Department (Department) approves private schools to provide educational services to preschool and school-age students with disabilities. Each school is required to report revenue, expenses, and full time equivalent (FTE) attendance. This information is used by the Department to calculate tuition rates. The school district or municipality in which the student resides pays the student's tuition at the approved rate and the Department reimburses the school district or municipality for a portion of the tuition

The Nassau Suffolk Services for the Autistic, Inc. (NSSA) operates The Martin C. Barell School (School). The School, located in Levittown, New York, Nassau County, provides educational services to autistic preschool and school-age children. The School reported total expenses of $1.1 million and served about 24 children in its school programs.

Scope, Objectives and Methodology

Pursuant to Sections 305 and 4410 of the Education Law and Part 200.18 of the Regulations of the Commissioner or Education (Regulations), we audited selected management practices, records, and documentation supporting the School's Consolidated Fiscal Report (CFR) for the period July 1, 1996 through June 30, 1997. This was a financial related audit and our objectives were to:

- determine the accuracy and reliability of information reported to the Department by the School;

- determine that expenses were properly reported in accordance with applicable laws, regulations and policies;

- determine the accuracy of the reported FTE attendance used in the calculation of the tuition rate;

- determine that all applicable revenue was offset against reimbursable expenses as required by the Education Law Section 4401;

- verify that tuition is billed and related revenue is accurately reported for all FTE students; and
- obtain an understanding of the internal control structure as it relates to the CFR.

To accomplish our objectives, we reviewed applicable laws, regulations, policies and procedures; interviewed Department and School management and staff; examined records and supporting documentation; sampled transactions on a non-statistical basis; and reviewed the School's audited financial statements.

We conducted our audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance that the reported expenses, revenue and FTE attendance for the School are accurate. Further, these standards require that we review and report on the internal control structure and compliance with applicable laws, regulations and policies for operations included within the scope of our audit.

An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operational records and applying other audit procedures considered necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that the audit provides a reasonable basis for our findings, conclusions and recommendations.

Comments of School Officials

School officials' comments about the findings will be considered in preparing the final report. Their comments are included as Appendix B to the final report.

School officials generally agreed with the recommendations and stated they have already addressed many of the recommendations. However, they disagreed with some of the specific audit adjustments.

Auditor's Note

In regard to the audit adjustments, School officials did not provide adequate documentation to show the expenses were reasonable, necessary and directly related to the education program.

Report on Net Reimbursable Expenses

The School reported $1,144,201 in net education related expenses for the fiscal year ending June 30, 1997. The Consolidated Fiscal Reporting and Claiming Manual (CFR Manual) and the Department's Reimbursable Cost Manual (Cost Manual) prescribe the cost reimbursement standards for reporting revenue and reimbursable expenses. Expenses must be necessary, reasonable and directly related to an approved education program for students with disabilities. In addition, the Cost Manual requires that expenses be adequately documented.

The audit found the School claimed certain non-reimbursable expenses, made accounting and reporting errors, did not adequately document all expenses, and used questionable allocation practices. The audit reduced reimbursable expenses by $134,387 for the school-age program and $35,844 for the preschool program. The following sections explain each item of adjustment in detail.

Non-Reimbursable Expenses

The School claimed for reimbursement $105,257 in expenses that are not reimbursable in the tuition rate. The Cost Manual specifies expenses that are reimbursable for schools receiving public funds for educating students with disabilities. The audit determined the School claimed non-reimbursable expenses related to staffing, travel and conferences, fundraising activities, employee bonuses and other items. As a result, program expenses were reduced by $73,586 and agency administration expenses were reduced by $31,671. In addition to these expenses, the audit determined the School claimed reimbursement for severance pay in the subsequent school year (1998-99) in excess of the allowable amount.

Approved Staffing Ratio

The School's staffing exceeded the approved student-staff ratios. The Department sets student-staff ratios for all programs. The cost of any direct care staff in excess of the approved ratios is not reimbursable unless supported by the student's individualized education program (IEP) requirements. A school may hire staff in excess of the approved ratios, but the costs are not reimbursable.

The approved staffing ratio for the School is 6:1:3, i.e., 1 teacher and 3 paraprofessionals for every 6 students. During the 1996-1997 school year, there were 22 school-age and 2 preschool students for a total of 24 students. The approved total staffing, therefore, was 4 teachers and 12 paraprofessionals. However, the School had 4 teachers and 14 teacher assistants, or 2 more than approved. As a result, the audit reduced reimbursable expenses by $69,754 for salary and fringe benefits claimed for the two aides. In addition to reporting the expenses for reimbursement in the tuition rate, the School received grant revenue to pay the expenses for the two aides (see the section of the report on Grant Expenses).

Conference and Travel

The School claimed for reimbursement $24,606 in questionable expenses related to conference and travel. In addition, the School did not adequately document some of these expenses. The Cost Manual requires that conference and travel expenses claimed for reimbursement must be directly related to the education program or to administration of the program. The expenses must also be adequately documented.

The School claimed for reimbursement $23,560 in conference expenses and $1,046 in travel expenses that were either questionable or undocumented. Included in the amount are expenses related to a conference sponsored by the School. The audit questions the appropriateness of claiming the conference expenses since the expenses are not directly related to the provision of the education program. In addition, the audit noted the School received $25,275 in conference revenue and reported this amount under fundraising, rather than offsetting the reported conference expenses.

Also included in the conference expenses are numerous charges for the executive director and, in some cases, a board member to travel to various locations throughout the country (Illinois, Ohio, Massachusetts, Michigan, Minnesota and Oregon). However, adequate documentation such as conference brochures and meeting agendas was not available to show the purpose of the travel or how the conferences or travel directly related to the education program. The audit disallowed the $23,560 in conference expenses.

The School also claimed for reimbursement $756 in travel costs for airfare to Boston for the executive director to meet with the past president of the Association of Behavior Analysis to discuss school issues. However, the School did not provide brochures, agenda or other literature that document the purpose of the meeting.

The School also paid $290 for 1/2 the cost of airfare for a former employee to present her dissertation in Norway. The School stated that it paid 1/2 the cost of her airfare because it benefited from the presentation and was identified with her research. However, the School did not provide documentation to show the expense was necessary and directly related to the School.

The audit disallowed the $1,046 in travel expenses for the Boston and the Norway trip.

Fundraising Expenses

The School claimed for reimbursement $5,540 in questionable expenses related to fundraising including $3,000 for a "Music of Life" video, $1,750 for a retainer fee for a consultant, and $790 in printing expense for a "Holiday Appeal." However, costs of organized fundraising (i.e., financial campaigns, endowment drives, or solicitation of gifts and bequests) to raise capital, or to obtain contributions are not reimbursable.

The "Music of Life" is a video depicting the accomplishments of the School and its students. The total cost of the video was $15,000 with $12,000 of the cost allocated to fundraising. The School stated that the remaining $3,000 was allocated to recruitment and advertising because excerpts from the film are used within the School for training purposes. In the absence of verifiable documentation, the audit cannot be assured that the $3,000 was a necessary education expense or that the allocation was reasonable.

The retainer fee was paid to a consultant to develop a short-term plan that identified key steps related to promotion and marketing of the School, fundraising, board development and program planning. Our review of monthly reports showed the majority of the activities related to fundraising.

The "Holiday Appeal" is a mailing that is sent out to raise funds for the School. It consists of a description of the School, an envelope with the School's address and a voucher to be completed by the donor.

These expenditures appear to be fundraising in nature and are not reimbursable.

Employee Bonuses

The School claimed for reimbursement $2,000 in holiday bonuses even though the bonuses did not meet the established criteria for reimbursement. The Cost Manual states that bonuses are reimbursable only if they meet certain criteria including the payments are made within the first three-quarters of the school year and are based on merit as measured and supported by employee performance evaluations.

The School gave $100 holiday bonuses on December 20, 1996 to 20 staff members. However, the bonuses were not based on merit as measured and supported by employee performance evaluations. Therefore, the audit reduced reimbursable expenses by $2,000. In addition, the audit noted the expense was classified as "Staff Training" rather than salary expense and applicable payroll taxes were not applied.

Other Questionable Expenses

The School claimed other expenses totaling $3,357 that are also not reimbursable.

- $1,542 for food and beverages including $1,442 for a holiday party at a comedy club and $100 for food and beverages at a clam bar.
- $1,147 for a liability insurance policy that lists the executive director as a sole proprietor.
- $432 for costs for food and beverages served to parents at an orientation night.
- $236 for personal expenses including $172 for flowers and $64 for food sent as a gift.

Severance Pay

The cost of severance pay is reimbursable provided that it does not exceed two weeks salary for a full-time employee. A School employee was dismissed and received a severance package totaling $19,615 for 12 weeks of paid salary during the 1998-99 school year. In effect, the School incurred $16,346 (10 of the 12 weeks) in non-reimbursable expenses. Although there is no effect on the audit year, the Rate Setting Unit (RSU) will use the information to adjust allowable costs for the 1998-99 school year.

Accounting and Reporting Errors

The School did not properly classify and report certain expenses and revenue that resulted in net reimbursable expenses being over stated by $23,519 and grant expenses being understated by $10,192. The Cost Manual and the CFR Manual require that schools maintain accounts in accordance with generally accepted accounting principles and use the accrual basis of accounting.

The School did not properly classify and report certain expenses and revenue including unpaid accrued sick and personal days, prior period expenses, and grants.

Accrued Sick and Personal Days

The School inappropriately claimed for reimbursement $23,519 in unpaid accrued sick and personal days. The Cost Manual states that vacation and sick leave are reimbursable in the year actually paid and reported as salary. As such, accrued vacation and sick leave expenses are not reimbursable until actually paid.

The School included $23,519 in accrued sick and personal days as part of the reported salary expense. However, the accrued sick and personal days will only be paid upon termination or resignation or when the leave is actually used. Therefore, the expenses are not reimbursable and should not be reported as part of the School's salary expense. The audit reduced reimbursable expenses by $23,519.

Prior Period Expenses

The School did not report $9,030 in expenses in the year in which the expenses were incurred. Accounting principles require that expenses be reported in the period in which the expenses were incurred.

The School incurred $8,130 in pension expense and $900 in rent expense in 1995-1996 and reported the expenses for reimbursement in 1996-1997. As a result, expenses were understated for 1995-1996 and overstated for 1996-1997. Since the expenses were not reported twice, there will be no adjustment to reported expenses. Nevertheless, the School should report expenses in the proper period.

Grant Expenses

The School did not account for grant revenue and expenses in a separate cost center. The Cost Manual requires a separate cost center for each approved program and for each government grant. In addition, expenses will not be reimbursed more than once with public funds.

The School received $11,008 from two IDEA grants to partially fund the salary of an aide ($10,192) and some administrative expenses ($816). However, the revenue and expenses for the grant were not reported in a separate cost center, as required. In addition, the salary expense for the aide was claimed for reimbursement twice; once on the CFR (tuition rate) and once on the grant cost report.

The School also received a $35,000 grant from a private foundation to fund the salary of one of its aides. The revenue and expenses for this grant were also not accounted for in a separate cost center. Rather, the revenue was reported under other programs (fundraising) and the expense was charged to school programs and claimed for reimbursement.

The audit made the adjustment related to grants in the section of the report on approved staffing ratio (page 3).

Undocumented Expenses

The School did not maintain adequate documentation to support $14,565 in expenses. The Cost Manual specifies the documentation schools must maintain to support expenses. For example, it requires schools to maintain invoices and cancelled checks for all purchases. The audit reviewed several categories of expenses and found undocumented or inadequately documented expenses for consultant services and startup costs.

Consultant Services

The School did not maintain adequate documentation to support services costing $7,500 that were provided by consultants from an educational institute (Institute). The Cost Manual requires schools to maintain adequate documentation to support consultant services including the consultant's résumé, a detailed list of the nature of the services provided, the number of days worked, dates services were provided, the charge per day and the product or outcome of the consultation.

The School had a written contract for $7,500 specifying the Institute would provide the School with a curriculum, staff training, and evaluation and consultation services. However, the School did not maintain adequate documentation to show the dates of service, School participants, or beneficiaries of the services. The Institute stated "They have not had a need to maintain formal records regarding our interactions with the School… [It] has recently begun to track on-site visits but do not have this information readily available for previous years."

In response to our preliminary audit findings, the School provided the audit with a detailed report prepared by the Institute's executive director regarding a November 22, 1996 visit to the School. The report lists student names, teachers worked with, goals worked on and the time and area of the school where the activity took place. The report also provided the names of teachers/aides selected to attend training sessions at the Institute and the development of a program to train senior teachers to train the other staff members.

A detailed report on one visit to the School does not constitute adequate documentation to support the $7,500 expense. The documentation should include the dates of service, School participants or beneficiaries of the services and a description of services provided. Without the required documentation, the audit cannot be assured the services were provided and the fee was commensurate for the services provided. The $7,500 cost of the Institute contract is disallowed.

Amortized Startup Expenses

The School did not maintain adequate documentation to support $7,065 in amortized startup expenses. The Cost Manual requires schools to maintain documentation to support payments that are amortized as startup expenses. Without adequate documentation the expenses are not reimbursable.

The School, which opened on January 4, 1993, is the education component of NSSA. NSSA was in operation prior to 1993 and continues to operate an OMRDD funded respite program for the autistic and their families. The School classified $52,051 in costs incurred prior to the opening of the school as startup costs and claimed for reimbursement in the tuition rate the amortized cost over five years. The amounts that were not adequately documented include payments to the executive director and the program supervisor/principal.

The School did not have time logs or adequate documentation to support charging 1/3 of the executive director's salary as startup costs. In addition, the School did not have documentation to show that OMRDD funded only 2/3 of executive director's salary. Without adequate documentation the audit disallowed $3,915 which is the amount of the executive director's salary that was amortized during the audit period.

In addition, the School did not have time logs or adequate documentation to support amounts for a consultant's work in planning and developing the School. The individual worked as a consultant for nine months and then was hired as an employee in the title program supervisor/principal. Sufficient documentation describing the consultant's activities, hours worked and amount earned was provided for the first four months. Documentation for the remainder of the consultant's work contains just the month and the amount paid. No description of the work done was provided. The audit disallowed $625, the undocumented portion of the consultant's payment that was amortized during the audit period.

Adequate documentation was not provided to describe the program supervisor/principal's activities during the period while she was on the payroll and earned an additional $10,338. The audit disallowed $2,068, the portion of the program supervisor/principal's salary that was amortized during the audit period.

The audit also adjusted reimbursable expenses by an additional $457 for the FICA tax for the disallowed salary for the executive director and the program supervisor/principal.

Questionable Allocations

The School did not allocate or properly document certain expenses which resulted in program expenses being overstated by $53,113 and agency administration expenses being understated by $57,484. The audit considered all adjustments and reallocated agency administration using the ratio value method which resulted in a $4,672 increase in the amount of agency administration costs reimbursed in the tuition rate. The Cost Manual requires all schools that operate more than one program to allocate expenses to each program. Any expense that cannot be charged directly to a specific program must be allocated across all programs that benefit from the expense. Schools must use allocation methods that are fair and reasonable and which can be documented for review. The School needs to improve the allocation of cost for its programs, direct and non-direct care positions, rent and agency administration.

Program Costs

The School did not allocate school-age and preschool program expenses on a fair and appropriate basis. The School allocated expenses between the school-age and preschool programs based on the ratio value of revenue, i.e., expenses are allocated to each program in the same proportion as the revenue received for each program. This method may not be reasonable since revenue is based in part on prior year expenses and the revenue may not be proportional to the expenses.

In the absence of documentation to support actual hours worked or cost for each program, the audit allocated program expenses based on student FTEs. The audit determined that the school-age program costs were understated by $17,293 (2 percent) and preschool program costs were overstated by $17,293.

Direct Care Salaries

The School did not maintain adequate documentation to support the allocation of two managers' salaries between direct and non-direct care positions. The Cost Manual limits the non-direct care (administration) costs reimbursed through the tuition rate to 30 percent of the total reimbursable costs after adjustments. As such, costs must be accurately classified and documented as direct and non-direct expenses.

The School allocated the salaries of two managers between direct and non-direct care positions as follows:

Position	Non-Direct	Direct	Total
Executive Director/ Disability Specialist	$92,818	$39,779	$132,597
Principal/Supervisor	$28,391	$42,587	$70,978

However, the School did not maintain payroll records or time studies to document time worked in each position. Rather the School used an estimate of time devoted to each position to allocate the costs. Without adequate documentation the audit reclassified $58,730 in direct care salary expense to non-direct care titles. The adjustment takes into account that the principal filled in as a supervising teacher for four months.

Rent Expense Allocation Not Accurate

The School did not allocate rent expense on a fair and appropriate basis. The School allocated its rent expense based on estimated usage and did not retain any documentation to show how the amounts were arrived at. Using square footage utilized by each program, the audit determined that the School's allocation percentages were not accurate. This resulted in the school programs being undercharged $5,617, other programs being overcharged $4,371 and agency administration being overcharged $1,246.

Agency Administration Costs

The School did not allocate agency administration costs to its fundraising cost center and also did not report $30,000 in fundraising expenses. The Cost Manual states that agency administration costs should be allocated to all programs operated by the provider based on the ratio value method of allocation. The CFR Manual states that fundraising costs must not be netted against fundraising revenues on the cost report.

The School's CFR accounted for a total of $38,985 in fundraising expenses in Other Programs. The audit determined that the School incurred an additional $30,000 in fundraising expenses while hosting a sports auction. Contrary to the CFR Manual, the School netted the fundraising costs against fundraising revenues on the CFR. Therefore, the audit increased the reported fundraising expenses to $30,000.

Also, the School did not allocate agency administration costs to the fundraising cost center. Using the revised total fundraising expenses, the audit reallocated agency administration costs to all cost centers. The reallocation, which takes into account all adjustments, resulted in a $4,672 increase in the amount of agency administration costs reimbursed in the tuition rate.

Recommendations

1. Establish procedures to ensure that only allowable expenses are claimed for reimbursement.

2. Establish procedures to ensure that only the cost of approved staffing ratios is claimed for reimbursement.

3. Claim for reimbursement conference and travel expenses that are directly related to the education program and are adequately documented.

4. Establish procedures to offset revenue against related expenses.

5. Do not claim for reimbursement fundraising expenses.

6. Ensure that bonus compensation is paid in accordance with the Cost Manual.

7. Improve procedures to ensure that expenses are reported in the period in which the expenses were incurred.

8. Establish procedures to ensure that unpaid vacation and sick leave are not claimed for reimbursement.

9. Ensure that the revenue and expenses for grants are accounted for in a separate cost center.

10. Ensure that adequate documentation is retained for all expenses claimed.

11. Improve procedures to ensure that allocation methods are fair and reasonable and supported by documentation.

12. Maintain adequate records to enable the proper allocation of salary expenses.

13. Improve procedures to ensure that expenses are properly classified.

14. Allocate rent on a fair and appropriate basis.

15. Ensure fundraising expenses are reported in a separate cost center and are not netted against revenue.

Comments of School Officials

School officials agreed with these recommendations.

Report on FTE Attendance

The audit reviewed the reported FTE attendance and determined the School accurately calculated FTE attendance. However, the School did not maintain adequate documentation to support student absences.

Undocumented Student Absences

The Cost Manual provides that attendance records must be maintained for all students indicating whether each student is present or absent and must be summarized monthly. In addition, schools must document legal and illegal absences and maintain the documentation for at least seven years.

The School did not require nor retain adequate documentation to support student absences. Two students were absent the entire first week of the six week summer session. The School recorded the absence, but did not note whether it was a legal or illegal absence or obtain a note from the parent to show the reason for the absence. Lacking adequate documentation, the audit could not determine if the missing week was due to legal absences. As a result, the audit reduced FTE attendance by 0.334.

In responding to the finding, the School indicated that it would now maintain a student sick call log, which should address the documentation requirement.

Recommendation

16. Maintain adequate documentation to support student absences.

Comments of School Officials

School officials agreed with this recommendation.

Report on Internal Controls and Compliance with Laws, Regulations and Policies

The School's Board and management are responsible for ensuring compliance with applicable laws, regulations and policies. In addition, management is responsible for establishing and maintaining systems of internal controls. The objectives of these systems are to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are properly authorized and recorded to permit the preparation of financial reports in accordance with generally accepted accounting principles, applicable laws, regulations and policies.

The audit determined the School implemented many of the necessary internal controls and complied, in all material respects, with applicable laws, regulations and policies. However, as reported in a previous section, improvements are needed in accounting and reporting revenue and expenses. In addition, the School could also improve certain other areas including employee time sheets, inventory records, financial statement disclosures, and staff FTE.

Inadequate Employee Time Sheets

The School did not maintain time sheets for its administrators and office staff and did not require supervisory approval of the time sheets maintained for teachers and aides. The Cost Manual states that payroll must be supported by employee time records that are signed by the employee and the supervisor.

Teachers and aides record their daily attendance on biweekly time sheets that are submitted to the business office at the end of the pay period. In addition, the School's secretary tracks teacher and aide attendance on a monthly attendance grid. The time sheets were signed by the employees, but the line designated for an "Approved Supervisor's Signature" was left blank on all the time sheets sampled by the audit.

Administrators and office staff were not required to maintain or submit time sheets and their attendance was not recorded on the attendance grid. The School did not adhere to the Cost Manual requirements that payroll be supported by employee time records that are signed by the employee and a supervisor and must be completed at least monthly. As a result, there is less assurance that all staff actually worked and accurately accounted for their time.

Subsequent to the completion of fieldwork, the School instituted a new policy that requires employees to sign their time sheets and obtain written supervisory approval of the time sheets. Administrators and office staff complete time sheets that are reviewed by the executive director. In addition, the attendance grid has been revised to include administrators and office staff.

Incomplete Inventory Records

The School's inventory records were not complete. The Cost Manual requires schools to maintain inventory records that include a description of the item, the make, model, serial number, cost, date of purchase, location, etc. In addition, schools should tag each item with an ownership decal.

The School's inventory records included a description of the asset, the date acquired, and the purchase price, but they did not include other information required by the Cost Manual including the model and serial number. Without this information, it is not possible to verify the model and serial numbers for the assets on the inventory schedule to the assets on hand. In addition, the assets were not labeled to indicate they were the property of the School. As a result, there is increased risk of misused, lost or stolen assets.

Inadequate Financial Statements Disclosure

The School did not adequately disclose the consulting services provided by its independent CPA. The Regulations require that a licensed or certified public accountant certify the financial statements and disclose any other non-audit services such as management consulting, automation consulting or bookkeeping services.

The CPA who certifies the program's financial statements also performs a management consulting function. However, the School did not adhere to the Regulations mandating that this practice be disclosed in the explanatory notes of the financial statements.

Misreported Staff FTE

The School did not accurately calculate or report the number of FTE staff. The CFR Manual specifies that hours paid is the basis for calculating the number of FTE staff. A teacher who works 37.5 hours per week for 46 weeks (the ten-month and the summer programs) should be reported as a 0.88 FTE (46/52).

The School reported full-time teachers and aides at 1.00 FTE each and not at 0.88 FTE as required by the CFR Manual. As a result, reported FTE teachers and aides were overstated by 0.48 and 2.49 FTEs respectively. The overstatement in FTEs makes any comparison among schools difficult.

Recommendations

17. Improve procedures to ensure that employee time sheets adhere to the Cost Manual's requirements.

18. Ensure inventory records are complete and include a description of the item, the make, model, serial number, cost, date of purchase, location, etc.

19. Tag each inventory item with an ownership decal.

20. Disclose any services provided by the independent CPA in the explanatory notes to the audited financial statements.

21. Develop and implement procedures to ensure that staff FTE is calculated and reported in accordance with the CFR Manual.

Comments of School Officials

School officials agreed with these recommendations.

Appendix A

The Martin C. Barell School
Special Education Program
Contributors to the Report

- Michael Abbott, CPA--Audit Manager
- Neil A. Smith, CPA – Auditor- in-Charge

Appendix B

Auditor's Note

Some of the attachments submitted with the response are not included in the report.

Appendix C

NEW YORK STATE EDUCATION DEPARTMENT
OFFICE OF AUDIT SERVICES
AUDIT REVIEW PROCEEDINGS

Requests for Audit Review

It is the policy of the State Education Department to consider for review matters of significant disagreement which result from a final audit report issued by the Office of Audit Services.

An organization requesting an audit review must make a written application to the Associate Commissioner for Planning and Policy Development, New York State Education Department, Room 128 EB, Albany, New York 12234 within 30 days of receiving the final audit report. An organization may request a review of an audit whenever the final audit report directs the recovery of funds from the organization and one or more of the following conditions is met:

- Recovery of funds would cause immediate and severe financial hardship to the organization, thereby affecting the well-being of program participants;
- The organization’s violation was caused by erroneous written guidance from the State Education Department;
- The State Education Department failed to provide timely guidance on the matter or condition when the organization had previously requested such guidance in writing; and/or
- The report contains errors of fact or misinterpretation of laws, statutes, policies or guidelines.

Organizations requesting an audit review must submit a written application describing how one or more of the above conditions have been met. This application must include all evidence and information the organization believes are pertinent to support its position.

An audit report which recommends improvements in internal controls of administrative or financial systems, but has no material financial impact on the organization, will not be considered for an audit review proceeding.

LOEB & TROPER

Mr. Daniel Tworek, Director
Office of Audit Services, Room 524 EB
NYS Education Department
Albany, New York 12234

April 23, 2002

Dear Mr. Tworek:

I am submitting the following response to the audit report of April 25, 2000 on Nassau Suffolk Services for Autism - The Martin Barell School (NSSA). The school had previously responded to the audit findings on May 23, 2000. In addition to those responses, we are providing the following additional comments on three of the audit findings.

It is important to note that in response to the original audit findings, the board of NSSA has responded by terminating the Executive Director and prior CPAs. NSSA is also working to set up procedures and systems to ensure the accurate reporting of expenses in the appropriate cost center along with maintaining appropriate documentation. The goal of NSSA is to ensure that costs reported on the CFR are allowable and reimbursable under CFR and Reimbursable Cost Manual guidelines. NSSA recognizes that their past documentation and record keeping did not meet SED's requirements. However, the school does believe that in most circumstances. the expenditures and allocations were for needed services, and to the best of their ability charged appropriately.

PAF # 1 Approved Staffing Ratio Exceeded

We take exception to the disallowance of .6 of a teacher/teacher aide substitute time. Substitute teachers/aides are an allowable position in excess of approved classroom staffing ratios. At NSSA, because of the unique nature of the program and the children's need for a continuum of services, NSSA cannot rely on substitutes that are not familiar with the children being served or the teaching technique being used. It is necessary for the children to have teachers and aides that regularly work with them. Therefore, NSSA needs teachers and teacher aides that are dedicated to the program, not just filling in. Because of this, NSSA has had to have a substitute on staff.

In addition, staffing above the approved ratio were necessary during 1996/97 for two children ([redacted].) that were transitioning into public school programs. The ultimate goal of NSSA is to enable children to be fully mainstreamed into their public school. To

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accomplish this, once the student is ready, they attend class at their respective district schools. In order to facilitate this, a transitional aide is provided in the classroom. This provides the necessary supports for the child to adjust to the mainstream class. Transitional placement could not be accomplished without these supports. Therefore, children would not be able to mainstreamed without them. While in transitional placement, children are still enrolled at NSSA and not in the public school that they are attending. Therefore, the cost of the aide is the responsibility of NSSA and not the school district. These costs are reasonable and necessary for the educational program of the children being served.

When not in transitional placement, the additional instructor serves as a floater providing additional coverage when other instructors were absent or were attending meetings. Not aware of the need to, the school did not maintain records of when floating teachers filled in. However, the payroll records clearly do support the expenditure on a substitute teacher/ aide. Therefore, we request that this disallowance be reinstated.

PAF # 17 FTE Allocations for Executive Director/Disabilities Specialist and Principal/Supervisor Not Sufficiently Documented.

We take exception to a portion of the reallocation of the Principal/Supervisor salary expense from direct care to non-direct care titles. This adjustment by SED was based on the School's lack of contemporaneous time records to document the time spent on direct care services. Although it is true that logs were not maintained, there is documentation in the payroll records that the school was short a supervisory teacher ([redacted]) from March through the end of the year. This left the school with only one supervisory teacher during this period. During this period the Principal had to fill in for this position because the school could not find a replacement.

The classroom module supervisor's role is irreplaceable and includes supervision/training and evaluation of teachers, including weekly meetings where each child's progress was discussed, and teachers had the opportunity to ask questions about teaching programs or issues with home programming. Supervisors would also do hands on training in the classroom and give constructive feedback to teachers. More formalized training was also done by supervisors during staff meetings. Supervisors were also responsible to directly monitor the overall progress of the students. This involved taking interobserver agreements on mastered programs, observing programs where skills were not being mastered and giving suggestions and direction to the teachers to help solve problems in skill acquisition programs. New skill sets and new programs had to be approved by the supervisor before they could be taught.

These services could not be performed by one supervisor for the entire school. This required the principal to fill in for the last four months of the school year. Therefore, we request that this portion of the principal's salary be left as a supervisory teacher, a direct care position.

PAF #3 - Unpaid Accrued Sick and Personal Days Included as Salary Expense

We take exception to the disallowance of the accrued sick and personal days for that portion that was not included as an expense on the financial statements and CFR. This audit adjustment is disallowing costs in excess of the amount reported on the CFR. Only the incremental difference between last years accrued leave time and this years accrued leave time is an expense of the period. The following shows this impact:

	Liability	Expense
Accrued sick and personal days at June 30, 1996	$(15,812)	
Reversal of Accrual July 96	15,812	$(15,812)
Accrual of sick and personal days at June 30, 1997	(23,519)	23,519
Balance June 30, 1997	$(23,519)	$ 7,707

The expense reported on the financial statements and the CFR for the year ended June 30, 1997 was only $7,707. Therefore, only this amount should have been disallowed.

The difficulty in demonstrating this is due to the fact that traditionally, leave accruals are not updated throughout the year. Rather the prior year balance is maintained on the books and only adjusted at the end of year by making a net adjustment to the liability and payroll expense. At NSSA this is further complicated by the fact that the accrued leave time is recorded in the same G/L account as the payroll accrual (the accrual for current salaries paid in the subsequent period). However, these transactions can be seen in NSSA's G/L detail (Account #01-000-24000). As can be seen on the attached July 1996 General Ledger detail for NSSA, the opening balance of the combined accrued payroll and accrued leave account was $53, 213. The accrued payroll of $37,401 is reversed leaving the June 30, 1996 balance of accrued sick and personal days of $15,812. At NSSA, as in most organizations, only the incremental difference between the $15,812 opening balance and the $23,519 ending balance of $7,707 is an expense of the period. Therefore, this disallowance should be limited to $7,707.

I hope you find this information satisfactory. Thank you for your attention to this. If you have any questions, please feel free to call me.

Sincerely,

Brian O'Reilly,
Partner

Cc: Kathy Manion

NSSA (NEW FISCAL YEAR)

ACCOUNT ACTIVITY DETAIL REPORT - Sorted by FUND-COST CENTER-OBJECT

Account No. From 00-000-00000 To 99-999-99999 * Date From 07/96 To 07/96

Date	Jrn	Reference	R/V#	Description	Debits	Credits	Balance
				ENDING BALANCE	0.00	71.85	-2,560.13 **
- 01-000-23400				NY STATE WITHHOLDING			-.01 *
				ENDING BALANCE	0.00	0.00	-.01 **
- 01-000-24000				ACCRUED PAYROLL PAYABLE			-53,213.68 *
07/31/96	GJ	07/96-023	0000	023-TO RESEVERSE 6/96 GEN	37,401.37		-15,812.31
07/31/96	GJ	07/96-024	0000	024-TO ACCRUE PAYROLL @ M		46,458.88	-62,271.19
				ENDING BALANCE	37,401.37	46,458.88	-62,271.19 **
- 01-000-24100				ACCRUED EXPENSES			-18,929.44 *
07/25/96	PJ	W596	1136	TIAA\CREF 0726	8,129.69		-10,799.75
07/31/96	GJ	07/96-019	0000	019-TO ACCRUE PENSION		3,140.00	-13,939.75
07/31/96	GJ		0000	021-TO RECORD ACCRUED EXP		1,709.23	-15,648.98
07/31/96	GJ	07/96-022	0000	022-TO RESVERSE 6/96 JOUR	3,483.42		-12,165.56
07/31/96	GJ	07/96-025	0000	025-TO ACCRUE OXFORD BILL		5,425.37	-17,590.93
				ENDING BALANCE	11,613.11	10,274.60	-17,590.93 **
- 01-000-25000				RETRO RATE ADJUSTMENTS			-50,000.00 *
				ENDING BALANCE	0.00	0.00	-50,000.00 **
- 01-000-30100				FUND BALANCE			-456,512.55 *
				ENDING BALANCE	0.00	0.00	-456,512.55 **
- 01-000-30150				BUILDING FUND			-100,000.00 *
				ENDING BALANCE	0.00	0.00	-100,000.00 **
- 01-000-30200				PRIOR YEAR BUILDING FUND			-5,000.00 *
				ENDING BALANCE	0.00	0.00	-5,000.00 **
- 01-100-41000				TUITION 3-5			0.00 *
07/31/96	GJ	2 CHILD	0000	026-TO ACCRUE JULY TUITIO		5,870.00	-5,870.00
				ENDING BALANCE	0.00	5,870.00	-5,870.00 **
- 01-100-41100				TUITION OVER 5			0.00 *
07/31/96	GJ	22 CHILD	0000	026-TO ACCRUE JULY TUITIO		61,567.00	-61,567.00
				ENDING BALANCE	0.00	61,567.00	-61,567.00 **
- 01-100-51100				SALARIES - PROGRAM ADMINISTRAN			0.00 *
07/02/96	GJ	07/96-001	0000	001-7/5/96 PAYROLL	4,200.00		4,200.00
07/17/96	GJ	07/96-005	0000	005-7/19/96 PAYROLL	4,200.00		8,400.00
07/31/96	GJ	07/96-023	0000	023-TO RESEVERSE 6/96 GEN		4,200.00	4,200.00
07/31/96	GJ	07/96-024	0000	024-TO ACCRUE PAYROLL @ M	5,700.00		9,900.00
				ENDING BALANCE	14,100.00	4,200.00	9,900.00 **
- 01-100-51120				SALARIES SCHOOL			0.00 *
07/02/96	GJ	07/96-001	0000	001-7/5/96 PAYROLL	16,116.73		16,116.73
07/17/96	GJ	07/96-005	0000	005-7/19/96 PAYROLL	17,110.96		33,227.69
07/31/96	GJ	07/96-023	0000	023-TO RESEVERSE 6/96 GEN		18,516.73	14,710.96
07/31/96	GJ	07/96-024	0000	024-TO ACCRUE PAYROLL @ M	24,361.45		39,072.41
				ENDING BALANCE	57,589.14	18,516.73	39,072.41 **

NSSA

NASSAU SUFFOLK SERVICES FOR AUTISM
THE MARTIN C. BARELL SCHOOL

11 Laurel Lane, Levittown, New York 11756
516-579-5087 Fax: 516-579-8124

June 1, 2001

RECEIVED

JUN 0 4 2001

OFFICE OF
AUDIT SERVICES

Mr. Daniel Tworek, Director
Office of Audit Services
NYSED Room 524 ED
Albany, New York 12234

Dear Mr. Tworek:

We are enclosing our response to your audit report of May 4, 2001. Upon reading the report, it appeared that our previous comments indicated in our May 23, 2000 letter were not considered in the report. Our position on the findings has not changed since the May 23, 2000 response to your April 25, 2000 report. We have attempted to reach Mr. Michael Abbott this week to discuss the report further and request a meeting, if necessary, to present our position on the findings. We have enclosed another copy of the original response for your review.

For each of the preliminary audit findings, we have noted our agreement or disagreement with each item. As we previously stated, we have implemented revisions and corrections to the areas in which we are in agreement. We are always striving to improve our quality of accounting services and appreciate the suggested improvements which were noted.

We are repeating our concerns indicated in our previous response. As can be noted in the reconciliation rate which was issued for 1996/97, we exceeded the total cost screen by $119,477 for both the school and preschool programs. It is necessary, each year, for Nassau Suffolk Services for the Autistic/The Martin C. Barell School to budget our expenses at a higher level than paid through our tuition rate. The school undertakes extensive fundraising efforts in order to fund the deficit in tuition rate each year. The additional spending is seen as an imperative and integral part of providing the unique intensive quality services our autistic children require. Any further possible reductions, as a result of this audit, will place the school in financial jeopardy and threaten the provision of the services in which our children desperately need.

As we previously stated, we have many letters of support from parents and professionals that are available for your review if so desired. Our school operates uniquely from other schools and has been proven to be highly effective and beneficial in educating and working with autistic children.

Once again, we would like to thank you for your anticipated cooperation in ensuring the continuance of the Nassau Suffolk Services for the Autistic/Martin C. Barell School. We welcome the opportunity to meet and discuss further our responses and our plans of correction.

Sincerely,

Howard Schneider

Howard Schneider, Ph.D.
Executive Director

enc.

cc: Kathy Mannion
President, Board of Directors

THE MARTIN C. BARELL SCHOOL

RESPONSE TO APRIL 25, 2000
AUDIT FINDINGS
OF THE STATE EDUCATION DEPARTMENT

FOR THE YEAR 1996/97

NSSA

NASSAU SUFFOLK SERVICES FOR AUTISM
THE MARTIN C. BARELL SCHOOL

11 Laurel Lane, Levittown, New York 11756
516-579-5087 Fax: 516-579-8124

May 23, 2000

Mr. Daniel Tworek
Director
Office of Audit Services
Room 524 EB
NYSED
Albany, New York 12234

Dear Mr. Tworek:

As per your report of April 25, 2000, we are enclosing the comments to each of the preliminary audit findings for the Nassau Suffolk Services for the Autistic/ Martin C. Barell School. ("NSSA")

For each of the preliminary audit findings, we have noted our agreement or disagreement with each item. It should be noted we have immediately implemented revisions and corrections to the areas in which we are in agreement. We are always striving to improve our quality of services and accounting and appreciate the suggested improvements which were noted.

We are concerned, however, of the potential effect of the items of which we are in agreement. As can be noted in the reconciliation rate which was issued for 1996/97, we exceeded the total cost screen by $119,477 for both the school and preschool programs. It is necessary, each year, for NSSA to budget our expenses at a higher level than paid through our tuition rate. The school undertakes extensive fundraising efforts in order to fund the deficit in tuition rate each year. The additional spending is seen as an imperative and integral part of providing the unique intensive quality services our autistic children require. Any further possible reductions, as a result of this audit, will place the school in financial jeopardy and threaten the provision of the services in which our children desperately need.

NSSA

We have many letters of support from parents and professionals that are available for your review if so desired. Our school operates uniquely from other schools and has been proven to highly effective and beneficial in educating and working with autistic children.

We would like to thank you for your anticipated cooperation in ensuring the continuance of the Nassau Suffolk Services for the Autistic/Martin C. Barell School ("NSSA"). Please review the enclosed responses and contact us if you have any further questions. We welcome the opportunity to meet and discuss further our responses and our plans of correction.

Sincerely,

Howard Schneider

Dr. Howard Schneider
Executive Director
enc.

cc: Craig Medwick, Esq.
President, Board of Directors

Preliminary Audit Finding #1

Audit Segment: Personal Service
Audit Component: Approved Staffing Ratio Exceeded

Audit Questions:

1. Does the School agree that they claimed for reimbursement two more teacher assistants than were allowed by approved staffing ratios?

NSSA is a private, non-profit corporation engaged in the development and provision of effective education and treatment services for children with autism and atypical pervasive developmental disorders. This school differs from traditional educational programs. The school replicates the exact format of the Princeton Child Development Institute (PCDI), a nationally recognized school for children with autism. This school has achieved significant strides in the treatment of autism, mainstreaming 3 out of 5 children during elementary years if treatment begins by age 5.

All of the teaching in this model education program is done by instructors and aides who regularly work with the children. There are no expenditures for clinical related services. Instructors are trained as generalists to teach all skills to children.

For the year 1996/97 we reported the indicated FTE amounts of 4 teachers and 14 teacher aide positions. We agree that the teacher aides were partially funded through a private grant and IDEA funding and should have been offset through applied income offset. However, amounts included in the 14 teacher aides included teacher/ teacher aide substitute time which was not reported separately of .60 FTE or $18,225, exclusive of fringe benefits. The remaining 1.43 FTE or $40,995 was for transition aide positions which were funded through the grants. The total grant amount was for $46,008 ($35,000 + $11,008).

It should be noted that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through the grants and additional fundraising. Therefore, the amounts indicated over our approved ratio of 6:1:3 or 1.43 FTE for transition aides was not funded by the NYSED.

2. How will the School ensure that it only claims for reimbursement the cost for approved staffing ratios?

We have formalized our tracking record for each grant that we receive to ensure that grants received are recorded as offsetting revenue. In addition, we will be reporting substitute teacher/teacher aides separately on the CFR report.

Preliminary Audit Finding #2

Audit Segment: Verification of Non Personal Service
Audit Component: Reported Conference Expenses Not Offset by Conference Revenue

Audit Questions:

1. Can the School justify the conference expense as reasonable and necessary?

All travel to conferences and other universities for meetings are related to the educational programs. All materials learned at conferences and meetings attended by teachers, direct staff and supervisory employees of NSSA is for the purpose to improve desired student outcomes. We have included a sample brochure from one of the conferences presented.

All teachers, teacher aides and management staff, as a necessary part of staff development, were mandated to attend the NSSA conference, "Effective Intervention in Autism" as a integral part of their staff training. The staff did not reimburse the school for attending the conference. We are contending that the expenses are directly related to the education program. However, the revenue received for the conference should reduce the total expenses reported.

2. Does the School agree that conference expenses should not be claimed for reimbursement?

We agree that the conference revenue should have been reported as offsetting revenue.
It should be noted, however, that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through the reported conference revenue.

Preliminary Audit Finding #3

Audit Segment: Personal Services
Audit Component: Unpaid Accrued Sick and Personal Days Included as Salary Expense

Audit Questions:

1. Does the School agree that the cost of unpaid accrued sick and personal days should not be claimed for reimbursement?

Yes, the school agrees that the cost of unpaid accrued sick and personal days should not be claimed for reimbursement.

2. Does the School agree that it overstated its payroll costs by $23,519?

No, the $23,519 represents the accrued vacation payable which is reflected on the balance sheet. This amount was adjusted and reflected in each year which actually decreased or increased total expenses for a net effect. The amount of $7,587 in sick/vacation leave time was recorded incorrectly as salary expense for 1996/97.

3. How will the School ensure that the cost of unpaid accrued sick and personal days is not claimed for reimbursement?

Subsequent to the 1996/97 tuition year, we have not recorded any adjustments to the liability amount of $23,519 on the balance sheet. We are recording in the salary expense, only actual amounts *paid* for salaries.

It should be noted, however, that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through fundraising.

Preliminary Audit Finding #4

Audit Segment: Grant Revenue
Audit Component: Non-Tuition Revenue Not Offset Against Reported Expenses

Audit Questions:

1. Does the School agree that the revenue and the expenses from the IDEA grants were not reported under a separate cost center?

Yes, we agree with this finding.This response was addressed in Preliminary Finding #1.

2. Does the School agree that $11,008 in grant expenses were also claimed for reimbursement in the tuition rate?

While we reported the expenses incorrectly(Preliminary Finding #1), it is our position that we were not funded for these positions. As we indicated previously in Finding #1, it should be noted that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through fundraising.

3. How will the School ensure that grant expenses are not claimed for reimbursement in the tuition rate?

We have formalized our tracking record for each grant that we receive to ensure that these grants are recorded as offsetting revenue.

4. How will the School ensure that grant revenues and expenses are reported in a separate cost center?

We have instituted a separate cost center in our chart of accounts and will post all grant expenses and income to that cost center.

Preliminary Audit Finding #5

Audit Segment: Non-Personal Service
Audit Component: Staff Training Expense Not Adequately Documented

Audit Questions:

1. Does the School agree that it did not maintain the required written documentation for the costs of the consultant?

As we had indicated earlier in our response, NSSA, is a school which differs from traditional educational programs. At the time we opened the school, we were requested by the Chancellor, the Board of Regents and the Commissioner of Education to directly replicate the exact instructional format of the Princeton Child Development Institute (PCDI), a nationally recognized school for children with autism. Our program replicates the nationally recognized techniques of the Princeton Child Development Institute. Our entire SED application for approval as a school was based on NSSA being a replication. From prior to opening the school until today we work very closely with PCDI to ensure the scientific replication of their program at NSSA.

Consultation visits occur by PCDI staff to NSSA for observation, training and feedback. Staff members also travel to PCDI for training. The program directors are in weekly phone contact on a variety of clinical related issues. NSSA also participates in all of the consumer evaluations required by PCDI to ensure quality program control and a level of accountability. Mr. Thomas Neveldine, when in his position at SED, has held this level of accountability up as a standard for other programs, including the external peer review process.

This relationship is critical in ensuring the quality of educational services and is a major benefit to the children and staff at NSSA.

We have enclosed, for your review, one of the reports from [redacted] of PCDI as a result of her visit to NSSA on November 22, 1996.

Due to the nature of the relationship, we did not maintain 100% of the documentation indicated above in the definition of "adequate documentation". A written contract was provided and the Institute has indicated, along with NSSA, that services were provided in accordance with that contract for that period specified.

Due to the fact that this service is a necessary quality control for our school and training tool for our staff and cannot be provided by another consultant or firm, we are contending that it is a cost necessary and essential in maintaining and providing quality educational services to benefit the autistic children. We are not in agreement with the disallowance.

Preliminary Audit Finding #5 (continued)

2. How will the School ensure that it will maintain sufficient documentation for all claimed costs?

We have began logging all visits and calls with PCDI and will maintain more detailed records in the future for all consultant contracts and payments.

Preliminary Audit Finding #6

Audit Segment: Non-Personal Services
Audit Component: Non-Reimbursable Fund Raising Expenses Claimed

Audit Questions:

1. Does the School agree that the costs of the "Holiday Appeal" and the "Music of Life" video are fund raising expenses? If not, please explain and provide further documentation?

We agree that the Holiday Appeal expenses of $789.50 should have been classified as fundraising expense.

It should be noted, however, that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through fundraising revenue.

We disagree that the Music of Life video expenses of $3,000 are fundraising expenses. As was indicated the total cost of the video was $15,000. The $3,000 represents an allocated amount based on an estimate of usage with the school. The video is utilized within the school as a training material on autism. Included in the video are training aspects of the program which include excerpts on children with autism.

2. How will the School ensure that only allowable expenses are claimed for reimbursement?

We will monitor and review our coding of expenses on an ongoing basis to ensure that the proper expenses are charged to the proper cost centers.

Preliminary Audit Finding #7

Audit Segment: Non-Personal Service
Audit Component: Consultant Expenses Not Adequately Documented

Audit Questions:

1. Does the School agree it did not maintain a written contract for services with the Expert, did not issue a Form 1099 for the payment to the Expert, and did not receive a written report?

No, we do not agree entirely with the above. We did not maintain a written contract, in the 1996/97 year, to support our verbal contract for the above year but have retroactively documented the agreement between the Expert and NSSA.

We did not issue a 1099 for [redacted] for that year. This matter was an error on our part.

We did receive a written report (attached).

2. What conclusion did the Expert reach regarding the completeness, effectiveness, and appropriateness of the students' individualized programs?

See the attached report.

3. Does the School agree that a staff member could have as effectively prepared the statistical report as the Expert?

No, in order to maintain a high standard or effectiveness it is necessary to maintain an external peer review function to report to PCDI. As [redacted] had indicated in his report, the school could benefit from increased clinical supervision and states that [redacted] and [redacted] are the only individuals having the necessary skills. The question of independence would arise in evaluation of the program if performed by either [redacted] or [redacted].

4. Does the School agree that adequate documentation was not provided to verify that the expense was reasonable, necessary and related to the education program?

No we do not agree with the above statement.

5. How will the School ensure that it will only claim costs that are reasonable, necessary and directly related to the education program?

We are requiring a written contract for all consultants, track actual dates or work performed and will issue 1099 payments to ensure IRS compliance.

Preliminary Audit Finding #8

Audit Segment: Non-Personal Service
Audit Component: Staff Travel Expenses Not Adequately Documented

Audit Questions:

1. Does the School agree that they do not have sufficient documentation to verify that the travel expenses were reasonable, necessary and directly related to the education program?

All travel to conferences and other universities for meetings are related to the educational programs. All materials learned at conferences and meetings attended by teachers, direct staff and supervisory employees of NSSA is for the purpose to improve desired student outcomes.

Staff Member travel to Norway: [redacted], a former instructor at NSSA presented her dissertation at a psychological conference in Norway. NSSA was identified, represented and benefited from the research, therefore, we agreed to reimburse her for half of the air travel. The materials from her research directly improved our quality of services to the children.

Airfare to Pittsburgh:This airfare was actually listed as a stopover to Ohio State University for a recruiting trip for teachers. We attached an itinerary for your review which will document the intent of the trip.

Airfare to Boston:This airfare was for a meeting with [redacted], past president of the Association of Behavior Analysis, to discuss issues of school growth and development, the teaching of discriminations to children and the recruitment of staff and instructors at NSSA.

2. How will the School ensure that reported expenses are reasonable, necessary, sufficiently documented?

We have instituted a written policy for travel expenditures. Included in any travel will the agenda, itinerary, educational benefit, staff members traveling, amount and approval.

Preliminary Audit Finding #9

Audit Segment: Non-Personal Service
Audit Component: Non-Reimbursable Expenses Claimed as Staff Training

Audit Questions:

1. Does the School agree that it claimed $1,542 in non-allowable costs under the staff-training category?

We agree with the above finding. This amount should have been reported as an offset to fundraising expenses.

It should be noted, however, that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through fundraising revenue.

2. How will the School ensure that only allowable costs are claimed for reimbursement?

We will monitor and review our coding of expenses on an ongoing basis to ensure that the proper expenses are charged to the proper cost centers.

Preliminary Audit Finding #10

Audit Segment: Verification of Personal Services Expenses
Audit Component: Non-School Related Insurance Expense Claimed

Audit Questions:

1. Does the School agree that the Psychologists Professional Liability Insurance policy for the executive director and three independent contractors is not reasonable, necessary or directly related to the education program?

We do not agree with the above statement. The above insurance, was in fact provided as a benefit to [redacted], as a part of his contract amount for the above year 1996/97 and therefore considered a reasonable and necessary expense.

2. How will the School ensure that it will only claim costs that are reasonable, necessary and directly related to the education program?

We will institute a periodic insurance review by independent brokers to determine adequate coverage and ensure that benefits are recorded in the proper cost centers.

Preliminary Audit Finding #11

Audit Segment: Non-Personal Services
Audit Component: Non-Reimbursable Miscellaneous Expenses Claimed

Audit Questions:

1. Does the School agree that the cost of the cold buffet was not an allowable expenses?

We do not agree with the above finding. The cold buffet was utilized as a part of the program to provide refreshments to all parents at a parent orientation, at the start of the new semester.

2. Does the School agree that gifts of flowers and food are not an allowable expense?

Yes, we agree with the above finding relating to the flowers and food.

It should be noted, however, that in our reconciliation rate for 1996/97, we experienced a significant total cost screen of $28,242 in the 9100 program and $91,235 in the 9000 program. We did not request a waiver from the screen and ultimately funded the increase in our expenditures through fundraising revenue.

3. How will the School ensure that, in the future, only allowable expenses are claimed for reimbursement?

We will monitor and review our coding of expenses on an ongoing basis to ensure that the proper expenses are charged to the proper cost centers.

Preliminary Audit Finding #12

Audit Segment: Personal Service
Audit Component: Non-Allowable Severance Pay Paid in 1998-1999

Audit Questions:

1. Does the School agree that twelve weeks of severance pay was paid to an employee?

Yes, we agree with the above statement.

2. How will the School ensure that only two weeks of the severance pay is claimed for reimbursement?

We will institute a formal policy limiting severance pay to two weeks.

Preliminary Audit Finding #13

Audit Segment: Verification of Reported Attendance
Audit Component: Student Absences Not Documented

Audit Questions:

1. Does the School agree that they do not require nor retain adequate documentation to support student absences? If not, please provide documentation for all student absences.

We do not agree with the above. We provide an attendance record to either the county or school district on a monthly basis, indicating whether the child was present or absent.
When a parent calls to inform the school the child was not attending, the reason why is given, a legal absence, and the report was completed.

The ***enrollment period***, indicated on the IEP, for the students questioned, began on July 1, 1996. The first week included four days of school. We had indicated the legal absence on the attendance form filed. The FTE calculation was calculated utilizing the procedures in the reimbursable cost manual.

We have enclosed a copy of the contract attendance section with the County. The contract does not require the maintenance of notes from parents.

2. Does the School agree that the student FTEs should be reduced from 24.000 to 23.666 for the 1996-1997 school age summer program?

No, we do not agree. Please refer to above.

3. How will the School ensure that both legal and illegal absences are documented?

We have instituted a formalized process with the usage of an actual student sick call log (attached). Because of the small size of the school and close relationship we have with parents, we have always relied upon verbal communication regarding illnesses.

Preliminary Audit Finding #14

Audit Segment: Allocations
Audit Component: Most Accurate Cost Allocation Method Not Used

Audit Questions:

1. Does the School agree that the use of logs to track staff time devoted to each program or the use of student FTEs should be used to allocate expenses?

In allocation of expenses for the 1996/97 tuition year, the student FTEs were utilized indirectly with the usage of allocation method based first on FTEs and then based on revenues. The proportionate share between the school and preschool under the fte/reveune method was 89.75% to the school and 10.25% to the preschool when compared to a straight FTE allocation method of 91.66% and 8.334%. The revenue method, at that time, was considered a fair methodology to be utilized for allocation.

We do not agree with the proposed reallocation for the 1996/97 tuition year.

2. How will the School ensure that a more accurate method is used to allocate costs between programs?

Subsequent to the 1996/97 tuition year, we have instituted a new allocation method of allocation based on care days (FTEs) between the school and the preschool for expenses which cannot be directly identified with either program. The small nature of the school and the fact that all staff work consistently with each preschool or school student, we feel that this is a fair methodology in which to allocate education costs between the school and preschool.

Preliminary Audit Finding #15

Audit Segment: Personal Service
Audit Component: Employee Time Sheets Do Not Comply with Department Requirements

Audit Questions:

1. Does the School agree that staff time sheets were not signed by both the employee and a supervisor?

Yes, we agree with the above statement.

2. Does the School agree that administrators and office staff did not maintain time sheets and were not listed on the attendance grid the 1996-1997 audit period? The School has recently revised its attendance grid to include administrators and office staff.

Yes, we agree with the above statement. As indicated in the report, the School has recently revised its attendance grid to include administrators and office staff.

3. How will the School ensure that Department payroll guidelines are followed, including time sheets signed by the employee and a supervisor, and completed at least monthly?

We have instituted a new policy which requires approved supervisor signature before payroll is approved and relayed to the payroll company. The payroll position signs on the actual time sheet that the supervisor has approved for payment. (attached). In addition administrators and office staff now complete actual time sheets which are reviewed and approved by the Executive Director.

NSSA

Employee Name: [redacted]

Period Ending: 5/12/00

Day	Date	Present	Absent	Code	Administrative	Clinical
Saturday	4/29/00					
Sunday	4/30/00					
Monday	5/1/00					
Tuesday	5/2/00					
Wednesday	5/3/00					
Thursday	5/4/00					
Friday	5/5/00					
	Total Week One:					
Saturday	5/6/00					
Sunday	5/7/00					
Monday	5/8/00					
Tuesday	5/9/00					
Wednesday	5/10/00					
Thursday	5/11/00					
Friday	5/12/00					
	Total Week Two					
	Grand Total:					

Employee Signature: ______________________ Date: ______________

Payroll Signature: ______________________ Date: ______________

Codes: H=Holiday V=Vacation J=Jury Duty
S=Sick P=Personal B=Bereavement

NSSA

Employee Name:		«first»	«last»									
Period Ending:			«Date_14»									
									Travel			
DAY		DATE	**Present**	**Absent**	Code	From	To	Mileage	Tolls	Parking	Other	Explanation
Sat.		«Date_1»	--	--								
Sun		«Date_2»	--	--								
Mon.		«Date_3»										
Tue.		«Date_4»										
Wed		«Date_5»										
Thu.		«Date_6»										
Fri.		«Date_7»										
Total		XX										
Sat.		«Date_8»	--	--								
Sun.		«Date_9»	--	--								
Mon.		«Date_10»										
Tue.		«Date_11»										
Wed.		«Date_12»										
Thu.		«Date_13»										
Fri.		«Date_14»										
Total	XX	XX										
Grand Total												

Employee's Signature: ______________________________ Date: ______________

Approved Supervisor's Signature: ______________________________ Date: ______________

Payroll Signature: ______________________________ Date: ______________

Codes:

H – Holiday   V – Vacation   J –Jury Duty

S – Sick   P – Personal   B – Bereavement

Travel

Rate: $0.25 per mile

Preliminary Audit Finding #16

Audit Segment: Personal Service
Audit Component: Employee Bonuses Misclassified

Audit Questions:

1. Does the School agree that the bonuses were misclassified and should have been reported as a salary expense?

We agree with the above finding.

2. Does the School agree the bonuses were not based on merit as measured and supported by employee performance evaluations?

The bonus compensations were paid within the first three quarters of the year and all employees had the opportunity to receive bonus compensation. We are a small school where most of the employees, except for few management, are on the same level of authority and assigned duties and salary ranges. Therefore, we gave out the same bonus to all staff without discrimination and without giving out larger bonuses to the management staff.

We do not agree with the disallowance of $2,000.

3. Does the School agree that payroll taxes were not held on the holiday bonuses?

We agree with the above.

4. How will the School ensure that, in the future, bonuses are classified correctly and all payroll taxes are reported and paid?

We will develop a more formalized procedure for review and evaluation and will document the actual amounts approved. In addition, we will ensure that the amounts are recorded in the W-2 statements at year end.

Preliminary Audit Finding #17

Audit Segment: Personal Services
Audit Component: FTE Allocations for Executive Director/Disabilities Specialist and Principal/Supervisor Not Sufficiently Documented

Audit Questions:

1. Does the School agree that it overstated direct care costs by $82,366?

No, we do not agree with the above finding.

The *executive director/disability specialist* is a licensed psychologist in the state of New York. The amount of time allocated to direct 30% represents a conservative estimate of 1.5 days per week. In reality, the actual time spent directly working with the children approximates 60%. Due to the unique nature of our program and the specialized curriculum for the autistic children, we do not employ related service workers with in the school. The majority of the time spent as a disability specialist is spent directly interacting with the teaching sessions, writing skill acquisition and behavioral programs for the children. In addition, the disability specialist monitors the data notebooks on the children.

The ***principal/supervisor's*** time represents 60% direct time or 3 days per week charged. This time is also conservative as the majority of time was spent actually in each of the classrooms with the children and teachers interacting with the children, directly supervising the program teaching sessions, monitoring the quality, consistency and progress of each of the children. The balance of the time was spent on the administrative duties such as meetings with the County, school districts and parents.

2. Does the School agree that no logs were kept to verify the time devoted to each position?

We agree that we did not keep actual logs for the that year but review of the children's IEP records and review of the clinical behavioral model in which the school embraces supports the direct charges.

3. How will the School ensure that staff allocations are adequately documented and correctly reported as direct care or non-direct care expenses?

We have instituted actual time sheets for each employee, including the above positions to further document the allocations of time.

Preliminary Audit Finding #18

Audit Segment: Non-Personal Service
Audit Component: Inventory Records Incomplete

Audit Questions:

1. Does the School agree that they do not maintain an inventory record that includes the model and serial number of the asset?

We agree with the above.

2. Does the School agree that its assets were not labeled "School Property?"

We agree with the above.

3. How will the School ensure that their inventory records will include the model and serial number of the asset?

We have started to compile a complete list of items and are tagging them to read "NSSA" with the serial number. This list will also be kept off-site for insurance purposes.

Preliminary Audit Finding #19

Audit Segment: Personal Service
Audit Component: Prior Period Expenses Claimed in the Audit Year

Audit Questions:

1. Does the School agree the $900 rent expense and $8,130 pension expense should have been reported in the prior period?

We agree with the above. The above represents timing differences within the audit.

2. How will the School ensure that expenses are reported in the proper period?

We will review the year end payables with more accuracy. Also, we have converted to a new accounting software system which provides greater detail for vendor histories. In addition, we have formalized our monthly budget/actual review process which would highlight the above occurrences.

Preliminary Audit Finding #20

Audit Segment: Non-Personal Service
Audit Component: Inadequate Financial Statements Disclosure

Audit Questions:

1. Does the School agree that it did not disclose in its financial statements that the CPA who certifies the program's financial statements also acts as its controller?

No, we do not agree with the above statement. In the CFR Manual, a controller is defined as a person responsible for the overall fiscal management of the agency.

The CPA referred to above is the partner in charge of our audit firm. The CPA performed a fiscal oversight review function for our agency, not a controller ship function. We have on staff a bookkeeper, who is responsible for the performance of accounting functions related to receivable, payables, payroll and general ledger functions.

The CPA, did in fact perform a management consulting function, which should have been disclosed in the financial statements.

2. How will the School ensure that the Commissioner's Regulations regarding financial statement explanatory note disclosures are followed?

If our CPA performs management consulting functions, in addition to the audit, we will disclose in the financial statement notes. Commencing with the 1999/00 year, we are utilizing the services of CPA, who is not associated with our CPA firm for the management consulting function.

Preliminary Audit Finding #21

Segment: Other Than Personal Services
Audit Component: Fund Raising- Expenses Understated/Agency Admin Not Allocated

Audit Questions:

1. Does the School agree that the fund raising expense account was understated by $30,000?

No, we do not agree with the above finding.

2. Does the School agree that the agency administration costs should be allocated to fundraising expenses using the ratio value allocation method?

Yes, we agree in principal of the use of ratio value to fundraising costs. However, the $30,000 did not represent an expense to NSSA in the receipt of the fundraising event. NSSA was the beneficiary of the net profit from the sports auction. NSSA did not run the event. The event was run by an independent nonprofit agency.

NSSA had advanced $30,000 of funds to the agency on behalf of the event. This amount was later returned to NSSA in the net profit which was distributed to NSSA. Reclassifying the expenses would be inaccurate and incorrect.

3. How will the School ensure that expenditure accounts include all associated expenses?

As we had indicated earlier, we have instituted a new accounting software program which will further detail our cost centers, income and expenses.

4. How will the School ensure that, in the future, administration costs are allocated to all programs?

Administration costs are allocated ratio value to all programs. All fundraising events will include the associated expenses.

Preliminary Audit Finding #22

Audit Segment: Personal Service
Audit Component: Revenue Not Matched to Related Expenses

Audit Questions:

1. Does the School agree that the revenue and expenses related to the grant should be accounted for in a separate cost center?

Yes, we agree that the revenue and expenses should be accounted for in a separate cost center or recorded as offsetting revenue in the appropriate cost center.

2. How will the School ensure that, in the future, revenue and related expenses are matched and claimed in the same cost center?

As we had indicated earlier, we have instituted a new accounting software program which will further detail our cost centers, income and expenses and will track all grants received and purpose.

Preliminary Audit Finding #23

Audit Segment: Other Than Personal Services
Audit Component: Rent Expense Allocation Not Accurate

Audit Questions:

1. Does the School have documentation to support the allocation of rent expense?

The allocation was based on a usage estimate.

2. Does the School agree that its rent allocation method did not result in a fair and reasonable amount of rent being charged to the various programs?

Yes, we agree with the above finding.

3. How will the School ensure that fair and reasonable allocation method are used to determine allocated expenses?

We will allocate all costs related to the building on a square footage allocation beginning with the 1999/00 tuition year.

Preliminary Audit Finding #24

Audit Segment: Non-Personal Service
Audit Component: Fund Raising Expense Claimed as Advertising/Recruitment

Audit Questions:

1. Does the School agree that the $1,750 payment to the consultant was primarily for fundraising activities?

No, we do not agree with the above statement. The consultant was originally hired to perform the five key steps indicated in the report. However, the outcome of the engagement was the dissemination of information to the community about the services we provide at the school.

2. How will the School ensure that only allowable expenses are claimed for reimbursement?

We will ensure that all contracts clearly indicate the actual work that is to be performed and amounts reimbursed.

Preliminary Audit Finding #25

Audit Segment: Personal Service
Audit Component: Amortized Startup Expenses Not Adequately Documented

Audit Questions:

1. Does the School agree that documentation was not provided to support the 1/3 charge to education program or to show that OMRDD paid only two thirds of the executive director's salary?

No, we do not agree with the above.

The allocation of 1/3 charge to the education program for the Executive Director for purposes of startup costs was based on an allocation of time spent on performing all of the necessary functions required in opening the school. This included meetings with school districts, counties, parents, educators and staff. This included necessary functions as recruiting staff and preparing curriculums. This also included securing space to operate and setting up the school operations to open. The time estimated is reasonable compared to the task of opening the school.

We have records to reconcile to the total salaries reported on the 941 records with an adjustment to salary expense account for capitalization of salaries and fringe benefits. We have included a statement of functional expenses for the 1992 year with a salary amount of $84,624 which reconciles to the audit papers for the net salary expenses after capitalization.

2. Does the School agree that the duties performed by the program supervisor/principal during the period 5/1/92--1/7/93 were not adequately documented?

No, refer to the above paragraph. Many of the same duties indicated above were shared or required of a teacher in order to open the school for operation. The time can be documented by correspondence, reports and other meetings which necessary during that time period.

3. Does the School agree that $7,065 in startup costs should not be reimbursed?

No, we do not agree with the above statement.

4. How will the School ensure that only adequately documented expenses are claimed for reimbursement?

As we indicated in earlier findings, we have instituted policies of formalizing contracts, tracking time records and requiring time sheets on all employees.

Exhibit D

Nassau Suffolk Services for the Autistic, Inc.
Statement of Functional Expenses
Year ended December 31, 1992
(With comparative totals for 1991)

	Respite Program	Supporting Services			Total	
		Management & General	Fund Raising	Total	1992	1991
Salaries	$ 72,777	$ 6,770	$ 5,077	$ 11,847	$ 84,624	$ 96,925
Payroll taxes and employee benefits	13,366	1,243	933	2,176	15,542	16,327
Professional fees		5,445		5,445	5,445	5,674
Insurance	4,708	438	328	766	5,474	5,420
Telephone	2,826	263	197	460	3,286	2,319
Travel	533				533	1,803
Postage	529	49	37	86	615	1,103
Office supplies	3,317	309	231	540	3,857	1,063
Rent	6,590	613	460	1,073	7,663	6,600
Supplies	2,084	194	145	339	2,423	601
Advertising	23	2	2	4	27	
Dues and subscriptions	175				175	449
Relocation	473	44	33	77	550	
Bank fees	208	19	15	34	242	
Miscellaneous	324	30	23	53	377	323
Total expenses before depreciation	107,933	15,419	7,481	22,900	130,833	138,607
Depreciation	2,034	189	142	331	2,365	1,070
Total expenses (Exhibit A)	$ 109,967	$ 15,608	$ 7,623	$ 23,231	$ 133,198	$ 139,677

See independent auditor's report.
The accompanying notes to financial statements are an integral part of these statements.

Eric J. Rogers

CERTIFIED PUBLIC ACCOUNTANT

Preliminary Audit Finding #26

Audit Segment: Personal Services
Audit Component: Staff FTE Incorrectly Computed

Audit Questions:

1. Does the School agree that Staff FTE was not reported in accordance with the Consolidated Fiscal Reporting and Claiming Manual guidelines?

Yes, we agree with the above statement.

2. How will the School ensure that Staff FTE is computed and reported according to Consolidated Fiscal Reporting and Claiming Manual guidelines?

We will follow the guidelines indicated.

3. Does the School agree that it overstated the number of FTE staff?

Yes, we agree with the above finding.