New York State Comptroller
THOMAS P. DiNAPOLI

State Fiscal Year 2021-2022 Report on Preschool Special Education

February 2023

Message from the Comptroller

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Special education programs fulfill a great need, providing a quality learning experience that accommodates the individual differences and needs of young people with disabilities. Many private special education providers use public funds conscientiously and in accordance with State laws, rules, and regulations. However, others abuse the system and misuse the funding they receive from the State and local governments, squandering taxpayer dollars and depriving children with disabilities of the learning resources and opportunities they need and deserve.

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

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

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

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

Thomas P. DiNapoli
State Comptroller

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Executive Summary

The State Education Department (SED) oversees special education programs in New York State that provide services to students with a disability between the ages of 3 and 21. While most school-age students with a disability in New York receive their educational services from public school districts, preschool special education services are predominantly provided by private providers. SED reports that, for the 2018-19 school year, about 81,000 preschool students with disabilities received services throughout the State from 351 approved providers at an annual cost of approximately $1.45 billion to the State and its local governments.

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

In 2004, the Office of the State Comptroller (OSC) began conducting audits of expenses submitted to SED by special education providers, focusing on their compliance with SED cost-reporting guidance and the accuracy and appropriateness of their reported program costs. These audits uncovered some concerning issues with payments to providers, including instances of apparent fraud. In June 2012, Comptroller DiNapoli announced a special education audit initiative, which involved a broader, sector-wide approach as well as multiple simultaneous individual audits, and proposed legislation to improve the oversight of preschool special education providers. As a result, Chapter 545 of the Laws of 2013 was signed into law on December 18, 2013 and became effective immediately, creating Section 4410-c of the Education Law. The law required the State Comptroller to audit the expenses reported to SED by every program provider of special education services for preschool children with a disability, subject to the funding made available by the Legislature for such purpose. Section 200.18 of the Regulations of the Education Commissioner was amended in 2016 to make clear that SED reviews OSC's final audit reports in establishing tuition rates for preschool special education programs.

Since 2004, OSC has conducted 170 audits of expenses submitted to SED by special education providers. These audits have cumulatively identified nearly $105 million in recommended disallowances. Additionally, since the beginning of the preschool special education audit initiative, there have been 13 arrests and 11 guilty pleas, as well as $18,650,587 in court-ordered recoveries.

OSC Initiatives

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

Collaboration with Other State Agencies

OSC remains committed to its established protocols, which call for suspected findings of fraud, abuse, or other potentially criminal misconduct identified during an audit to be referred to OSC's Division of Investigations (DOI) as well as to external agencies with appropriate legal jurisdiction. As of December 8, 2022, two additional preschool special education audits in process were referred to DOI for consideration.

Transition in Annual Reporting

The prior Annual Report on Preschool Special Education reported the cumulative results of audits issued during the calendar year (CY) January 1 through December 31, 2020. Effective January 1, 2021, the annual report moved from a CY to a state fiscal year (SFY) basis, necessitating a 15-month reporting period (January 1, 2021 through March 31, 2022) in the transition year.

Audit Findings

In SFY 2021-22 (April 1, 2021 through March 31, 2022), OSC completed 10 audits of preschool special education providers' expenses submitted to SED (see Appendices A and B). These audits cumulatively identified $3.8 million in recommended disallowances, or more than 4 percent of the total claimed expenses of $92.8 million for the audit period. As of December 8, 2022, seven additional preschool special education audits were issued which included $6,300,638 in recommended disallowances. Another nine audits were in progress.

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

Results of the years-long preschool special education initiative continue to indicate steady improvement in these areas, but findings in certain categories continue to be of concern, particularly errors related to the allocation and/or inappropriate claiming of personal service and other than personal service (OTPS) expenses. The audits completed in SFY 2021-22 indicate ongoing inaccuracies in cost reporting by special education providers. Although the dollar amount of disallowed expenses decreased from $4.4 million for 10 audits completed in 2020 to $3.8 million in SFY 2021-22 for the same number of audits, the share of disallowed costs as a percentage of total dollars claimed is somewhat higher at 4.05 percent in SFY 2021-22 compared to 3.18 percent in 2020.

The SFY 2021-22 audit findings are summarized as follows:

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

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

OSC audits completed and issued in SFY 2021-22 identified over $742,000 in expenses (or about 20 percent of the total disallowances) from other programs that were charged to the preschool programs. The costs claimed from other programs included both payroll-related expenses and OTPS expenses.

- **Allocation of Payroll Expenses –** The RCM requires salaries of employees who perform tasks for more than one program to be allocated among all programs for which they work. Furthermore, providers must maintain appropriate documentation reflecting the allocation methodology used to distribute hours worked. Six of 10 audits (60 percent) identified a total of more than $611,000 in payroll costs from other programs that were charged to the preschool programs. This represents a significant reduction from 2020, when four of 10 audits (40 percent) identified over $1.8 million in improperly allocated payroll expenses.
- **OTPS Expenses –** SED guidelines require that any expenditure that cannot be charged directly to a specific program be allocated across all programs and/or entities that benefit from the expenditure (e.g., general maintenance and overhead expenses). The RCM requires providers to maintain documentation of the methodologies used to allocate costs to the various programs they operate. Seven of 10 audits identified problems related to the allocation of OTPS costs and/or the inappropriate claiming of expenses from other programs. The dollar amount of these findings was over $130,000. This was also significantly reduced from 2020, when five of 10 audits identified over $773,000 in inappropriate expenses from other programs.

Personal Service-Related Findings – In addition to the allocation of payroll expenses from other programs previously noted, OSC audits completed and issued in SFY 2021-22 identified over $738,000 in unsupported or ineligible payroll-related expenses.

- **Unsupported or Ineligible Payroll Expenses –** SED requires providers to base employee compensation on approved and documented payrolls, which must be supported by time and attendance records for all employees. Additionally, Section 200.9 of the Regulations of the Commissioner of Education states that providers shall maintain adequate records to document direct and indirect service hours provided, as well as time spent on all other activities related to each student served. All 10 audits, with a total recommended disallowance of more than $762,000, found issues with the maintenance of payroll records and other documentation required by the RCM. This disallowance was significantly higher than in 2020, when eight audits identified over $268,000 in unsupported or ineligible payroll-related expenses.
- **Unsupported Bonuses** – SED requires that salary bonuses be based on merit and supported by performance evaluations to be eligible for reimbursement. Three of 10 audits found ineligible bonuses with a recommended disallowance of over $8,000, a slight reduction from 2020, when three of 10 audits identified over $10,000 in unsupported bonuses.

Findings Related to OTPS Expenses – According to the RCM, costs reported on the CFR are considered for reimbursement if they are reasonable, necessary, directly related to the special education program, and properly documented. Expenses of a personal nature are not reimbursable. In addition to the above allocation of OTPS expenses from other programs, OSC audits completed and issued in SFY 2021-22 identified over $1.8 million in unsupported or ineligible OTPS-related expenses.

- **Unsupported/Ineligible Costs –** Nine of 10 audits found ineligible expenses of more than $392,000, which were either not program related or not supported by adequate documentation. This disallowance was significantly less than in 2020, when nine audits identified approximately $700,000 in unsupported or ineligible expenses.
- **Insufficiently Documented Related-Party Transactions –** SED requires special education providers to disclose all less-than-arm's-length (LTAL) transactions in their CFRs and in the notes to their audited financial statements. A LTAL relationship exists when there are related parties, and one party can control or significantly influence the business decision of another party due to the nature of their personal relationships (e.g., spouses who conduct business with each other). Disclosure of such relationships is necessary to help ensure the propriety of costs for reimbursement purposes. The RCM states that costs will be considered for reimbursement provided they are reasonable, necessary, directly related to the special education program, and sufficiently documented. One of 10 audits identified $87,304 in LTAL lease transactions that were not disclosed as required, and the provider was unable to document the actual costs or a fair market value analysis to show that the lease costs were allowable. As a result, the costs were disallowed. A second audit disallowed $4,540 in inadequate and unsupported consulting costs to a related party. Further, a third audit identified several instances where payments were made to related organizations or individuals disclosed on tax filings. However, the relationships were not disclosed as related parties on the CFR, as required. No disallowances were recommended in relation to this matter.
- **Misreported/Underreported Offsetting Revenue –** According to the RCM, any funding received from a governmental agency or unit for a specific education program will be offset by SED against the appropriate program costs in the calculation of the tuition rate, so that costs will not be reimbursed more than once by public funds. In addition, tuition rates for programs in an integrated setting should not fund costs, particularly staffing costs, associated with students without a disability. Two of 10 audits found over $246,000 in misreported/underreported offsetting revenue, which is somewhat more than the $218,000 identified in four of 10 audits in 2020.

- **Unsupported, Insufficiently Supported, and Overallocated Depreciation Expenses –** The RCM states that costs must be reasonable, necessary, directly related to the special education program, and sufficiently documented. Expenditures that cannot be charged directly to a specific program must be allocated across all programs that benefit from the expenditure, using allocation methods that are fair, reasonable, and documented. The RCM also states that providers should retain all pertinent accounting, allocation, and enrollment/attendance records supporting reported data directly or indirectly related to the establishment of tuition rates for seven years following the end of each reporting year. Information relating to the acquisition of fixed assets, equipment, land or building improvements, and any related financing arrangements and grants must be retained as long as the facility is used by any education program the provider operates if this period exceeds seven years. Moreover, costs will not be reimbursable on field audit without appropriate written documentation. Five of 10 audits identified over $153,000 in recommended disallowances for unsupported, insufficiently supported, or overallocated depreciation expense. In 2020, four of 10 audits issued identified over $116,000 in recommended disallowances for insufficient depreciation expense documentation.
- **Consultant and Professional Services –** The RCM provides extensive guidance on the use of consultants and other professionals, the proper claiming of costs for their services, and related supporting documentation requirements. In addition, costs cannot be claimed for consultant services that could have been performed by a properly certified school officer or an employee who possesses the necessary technical skills. Seven of 10 audits recommended disallowances for consultant and professional services totaling more than $1 million – over five times as much as the 2020 disallowances of $207,000 for eight of 10 audits. Of the total disallowances, 47 percent resulted from non-program or ineligible expenses, 52 percent related to insufficiently supported expenses, and the remaining 1 percent resulted from misallocations and unsupported expenses.
- **Penalties, Interest, Fines, and Fees –** The RCM expressly states that fines, penalties, late fees, and certain forms of interest are not reimbursable. The RCM further states that costs resulting from violations of, or failure by, the entity to comply with federal, State, and/or local laws and regulations are not reimbursable. Additionally, interest on working capital loans will not be reimbursed if the entity files its CFR more than 90 days after the due date. Three of 10 audits noted approximately $4,000 in recommended disallowances for non-reimbursable penalties, interest, fines, and late fees. This is significantly lower than the $81,000 disallowed in 2020 for three of 10 audits.

- **Personal Expenses –** Expenses of a personal nature, such as Internet service, personal cell phones, and personal car service – known as perquisites (or perks) – are not reimbursable. Four of 10 audits recommended personal expense disallowances of $36,223. Although this only represents approximately 1 percent of the total amount disallowed for the year, the percent of audits with findings is 40 percent, or the second highest since 2014.

Personal Expenses (Rent, Legal, Leases, Tuition, Dry Cleaning, Event Tickets, Jewelry, Furniture, etc.)		
	% of Total Disallowed	**% Audits with Findings**
2014	1.41%	61.54%
2015	0.08%	21.74%
2016	0.54%	7.69%
2017	0.11%	17.39%
2018	0.00%	0.00%
2019	< 0.01%	5.56%
2020	0.00%	0.00%
2021-22	0.97%	40.00%

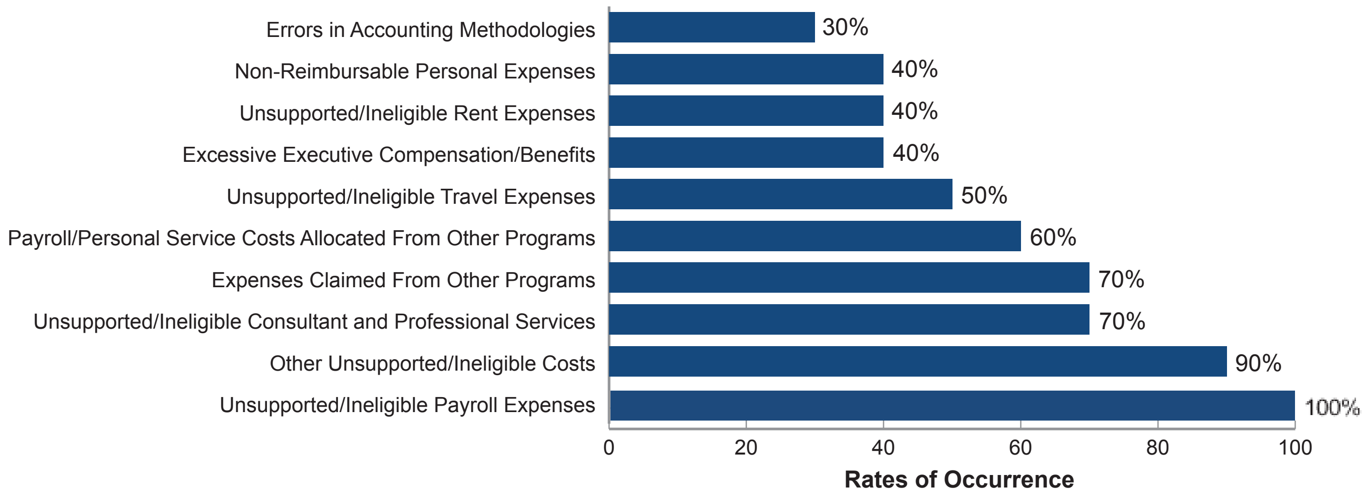
Failure to Report Expenses Under Grant Program

According to the RCM, providers must report grants awarded under the Individuals with Disabilities Education Act on the CFR and must report the related revenues and expenditures in separate cost columns on their CFRs. Providers must also maintain verified source documents to support audit inquiries. There were three instances of providers failing to report grant expenditures, totaling $22,699, under the grant program in SFY 2021-22. Instead, these expenditures were reported under the rate-based programs resulting in the expenditures being funded twice, so OSC recommended they be disallowed.

Common Findings and Rates of Occurrence

The following graph includes some of the more common findings and their corresponding rates of occurrence for the 10 audits performed, as identified in the SFY 2021-22 reports.

Patterns of Inappropriate Claimed Expenses for Special Education Services in New York State – SFY 2021-22 Audit Findings



Conclusion

Preschool special education plays a critical role in the development of children with special needs. Accordingly, OSC continues its audits of these providers, identifying millions of dollars in inappropriate charges, including expenses claimed from other programs, reimbursements for unsupported expenditures, and costs incorrectly allocated to special education programs. OSC is committed to emphasizing the importance of strong internal controls and external oversight in order to provide necessary and appropriate special education services. OSC encourages State policymakers to uphold the State’s long-standing commitment to special education programs and to ensure that they are financially sustainable for future generations.

Appendix A
SFY 2021-2022 – OSC Preschool Special Education Program Audits

Summary of Submitted and Disallowed Program Costs

Provider/Audit Name	Location	Audited Program Costs Reported on CFR	Number of Years in Scope	Total Disallowances
Buffalo Hearing & Speech Center, Inc.	Erie	$9,078,363	1	$488,977
Canarsie Childhood Center, Inc.	Kings	$7,950,506	3	$193,420
E&D Children Center, Inc.	Kings	$11,780,386	3	$711,676
Franziska Racker Centers, Inc.	Tompkins	$4,362,740	1	$199,372
Kids First Evaluation & Advocacy Center	Nassau	$488,182	1	$22,713
Kids in Action of Long Island, Inc.	Suffolk	$393,508	1	$41,897
Life Skills Home Training Tutorial Program for Preschoolers, Inc.	Queens	$19,007,028	3	$278,815
Omni Childhood Center, Inc.	Kings	$29,350,507	3	$1,588,037
These Our Treasures, Inc.	Bronx	$5,006,742	3	$182,856
Westchester County Chapter NYSARC, Inc.	Westchester	$5,351,029	1	$49,605
Totals		**$92,768,991**		**$3,757,368**

Appendix B
SFY 2021-2022 – OSC Preschool Special Education Program Audit Summaries

Private special education providers must be approved by SED to deliver special education services – such as Special Education Itinerant Teacher (SEIT), Special Class (SC), and Special Class in an Integrated Setting (SCIS) programs – to children in New York. SED annually develops rates for preschool special education programs operated by approved providers based on actual personal service and other than personal service (OTPS) costs reported to SED on annual Consolidated Fiscal Reports (CFRs). These rates are used to reimburse providers for eligible costs, which must be in compliance with comprehensive instructions and guidelines set forth in SED's Consolidated Fiscal Reporting and Claiming Manual (CFR Manual) and its Reimbursable Cost Manual (RCM). Generally, auditors recommended that, in each case, SED review the disallowances identified and make the necessary adjustments to the costs reported on the provider's CFRs and to the provider's tuition reimbursement rates, as warranted, and remind providers of the pertinent SED requirements that relate to the deficiencies identified; and that the provider ensure that costs reported on annual CFRs fully comply with SED's requirements, and communicate with SED to obtain clarification, as needed.

Buffalo Hearing & Speech Center, Inc. (Center) (2020-S-20) is an Erie County not-for-profit organization authorized by SED to provide, among other programs, preschool SC – over 2.5 hours per day, SCIS – over 2.5 hours per day, and SCIS – 2.5 hours per day special education services to children with disabilities between the ages of three and five years. For the fiscal year ended June 30, 2018, the Center reported approximately $9 million in reimbursable costs for its preschool cost-based programs. The OSC audit recommended disallowances of $488,977 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $226,577 in personal service costs, including $208,482 in unsupported costs; $6,620 in excess compensation; $5,656 in bonuses; $5,259 in auto allowances; and $560 in personal service-driven allocations.
- $45,949 in OTPS costs, including $27,436 in unsupported costs; $4,356 in incorrectly allocated costs; and $14,157 in other non-reimbursable costs such as gifts, food for staff, supplies not classified to or received by an employee of the programs, and conference fees where the subject matter did not align to the age range of the programs.

Additionally, for the three fiscal years ended June 30, 2018, SED failed to offset $307,735 in Medicaid fee-for-service revenue received by the Center when calculating its tuition rate. As a result, the Center received $216,451 in excess public funding reimbursements.

Canarsie Childhood Center, Inc. (CCC) (2021-S-2) is a New York City-based for-profit organization authorized by SED to provide preschool special education services to children with disabilities who are three and four years of age. The OSC audit focused primarily on expenses claimed on CCC's CFR for the fiscal year ended June 30, 2018 and certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2017. For the three fiscal years ended June 30, 2018, CCC reported approximately $8 million in reimbursable costs for its preschool cost-based program. The OSC audit recommended disallowances of $193,420 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $168,648 in personal service costs, including $103,303 in excess salaries and fringe benefits; $50,052 in non-mandated fringe benefits; and $15,293 in compensation claimed to two different programs.
- $24,772 in OTPS costs, including $20,232 in unsupported accounting and unallowed non-audit tax services and $4,540 in inadequate and unsupported computer consulting fees.

E&D Children Center, Inc. (E&D) (2020-S-44) is a New York City for-profit organization authorized by SED to provide preschool SEIT special education services to children with disabilities between three and five years of age. The OSC audit focused primarily on expenses claimed on E&D's CFR for the fiscal year ended June 30, 2015 and certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2014. For the three fiscal years ended June 30, 2015, E&D reported approximately $11.8 million in reimbursable costs for its preschool cost-based program. The OSC audit recommended disallowances of $711,676 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $300,142 in OTPS costs, including consultant costs that were not supported by detailed invoices, consisting of $133,612 in legal and accounting fees; $108,000 in contracted software maintenance; $41,530 in contracted computer repairs; and $17,000 in consulting fees.
- $260,173 in personal service costs, including pension contributions and health benefits that were not proportionately similar to those received by other employees.
- $82,648 in unallowable personal service costs, including unsupported year-end adjusting entries and personal parking expenses.
- $34,859 in OTPS expenses that were unsupported and/or insufficiently documented.
- $20,442 in depreciation costs funded by another government grant.
- $13,412 in unallowable OTPS costs, including staff commuting, food for staff, costs reported in the incorrect period, gifts to staff, and money paid to a charitable organization.

Franziska Racker Centers, Inc. (Racker) (2021-S-5) is a Tompkins County not-for-profit organization authorized by SED to provide preschool SCIS – over 2.5 hours per day special education services to children with disabilities between three and five years of age. For the fiscal year ended June 30, 2018, Racker reported approximately $4.36 million in reimbursable costs for its preschool cost-based program. The OSC audit recommended disallowances of $199,372 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $105,114 in OTPS costs, including $87,304 in less-than-arm's-length lease transactions where the provider was unable to document the actual costs or a fair market value analysis to show that the lease costs were allowable; $7,035 in ineligible staff-related expenses; $7,055 in insufficiently documented vehicle costs; $2,813 in unsupported purchases at, among others, grocery stores and restaurants; and $907 in ineligible expenses related to staff travel.
- $94,258 in personal service costs, including $69,538 in compensation with inadequate time records; $20,977 in costs not appropriately allocated to the program; and $3,743 in unallowable extra compensation payments.

Kids First Evaluation & Advocacy Center (Kids First) (2021-S-12) is a Nassau County for-profit organization authorized by SED to provide preschool SEIT special education services to children with disabilities who are three and four years of age. For the fiscal year ended June 30, 2015, Kids First reported $488,182 in reimbursable costs for its preschool cost-based program. The OSC audit recommended disallowances of $22,713 in costs that did not comply with SED's requirements for reimbursement, as follows: $18,522 in personal service costs that were not fully supported by employee time records; and $4,191 in OTPS costs for expenses with insufficient or missing documentation, food and beverages provided at staff meetings, bank service charges and other fees, and magazine subscriptions not related to the program.

Kids in Action of Long Island, Inc. (Kids in Action) (2021-S-13) is a Suffolk County for-profit organization authorized by SED to provide, among other programs, preschool SEIT services to children with disabilities who are three and four years of age. For the fiscal year ended June 30, 2015, Kids in Action reported $393,508 in reimbursable costs for its preschool cost-based program. The OSC audit recommended disallowances of $41,897 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $31,968 in personal service costs, including $25,704 in overallocated compensation incorrectly charged directly to the SEIT program; $3,818 in compensation not sufficiently supported by employee time records; and $2,446 in non-program-related compensation.
- $9,929 in OTPS costs, including $4,522 in inadequately supported allocation methodologies for office supplies, lease/rental equipment, or staff travel expenses; $2,665 in unsupported purchases and non-allowable agency administrative costs; $2,290 in unallowable telephone costs; and $452 in excessive mileage expenses.

Life Skills Home Training Tutorial Program for Preschoolers, Inc. (Life Skills) (2020-S-37) is a New York City not-for-profit organization authorized by SED to provide preschool full-day SC, half-day SC, and SCIS special education services to children with disabilities between the ages of three and five years. The OSC audit focused primarily on expenses claimed on Life Skills' CFR for the fiscal year ended June 30, 2018 and included certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2017. For the three fiscal years ended June 30, 2018, Life Skills reported approximately $19 million in reimbursable costs for its preschool cost-based programs. The OSC audit recommended disallowances of $278,815 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $170,969 in OTPS costs, including $117,807 in accounting and filing fees, contracted services, and office supplies relating to another period; $34,319 in insufficiently documented accounting services and unsupported copier and food expenses; $10,281 in unallowable costs including security deposits, personal cell phone, late fees, gifts to students, and food for staff and parents; and $8,562 in overallocated utility expenses.
- $107,846 in personal service costs, including $77,832 in compensation in excess of regional compensation limits; $20,682 in benefit and pension costs that did not meet reimbursement requirements; and $9,332 in compensation in excess of Board-approved amounts.

Omni Childhood Center, Inc. (Omni) (2019-S-66) is a New York City for-profit organization authorized by SED to provide preschool SEIT special education services to children with disabilities between the ages of three and five years. The OSC audit focused primarily on expenses claimed on Omni's CFR for the fiscal year ended June 30, 2015 and certain expenses claimed on its CFRs for the two fiscal years ended June 30, 2014. For the three fiscal years ended June 30, 2015, Omni reported approximately $29.4 million in reimbursable costs for its preschool cost-based program. The OSC audit recommended disallowances of approximately $1.6 million in reported costs that did not comply with SED's requirements for reimbursement, as follows:

- $638,892 in personal service costs, including: $249,930 in overallocated compensation expenses; $183,027 in insufficiently documented compensation costs; $162,530 in non-program-related compensation costs; and $43,405 in non-mandated fringe benefits not in compliance with RCM requirements.
- $488,549 in legal fees that were not related to the SEIT preschool cost-based program.
- $460,596 in OTPS costs, including: $245,526 in non-reimbursable property-related expenses; $141,596 in accounting costs that were either insufficiently documented, unsupported or ineligible for reimbursement; $38,322 in insufficiently documented or unsupported consulting fees; and $35,152 in unallowable costs that did not comply with reimbursement requirements.

These Our Treasurers, Inc. (TOTS) (2020-S-60) is a New York City not-for-profit organization authorized by SED to provide preschool half-day SC and full-day SC special education services to children with disabilities who are between the ages of three and five years. The OSC audit focused primarily on expenses that TOTS claimed on its CFR for the fiscal year ended June 30, 2017 and certain expenses that TOTS claimed on its CFRs for the fiscal years ended June 30, 2017 and the two fiscal years ended June 30, 2016. For the three fiscal years ended June 30, 2017, TOTS reported approximately $5 million in reimbursable costs for its preschool cost-based programs. The OSC audit recommended disallowances of $182,856 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $93,163 in personal service costs, including $61,475 in overallocated salary and fringe benefit costs; and $27,539 in unsupported salaries and $861 in excess salary, as well as $3,288 in their associated fringe benefits.
- $89,693 in OTPS for unsupported building and equipment depreciation expenses that were either undocumented, ineligible, or paid for with grant funds.

Westchester County Chapter NYSARC, Inc. (WARC) (2020-S-27) is a Westchester County not-for-profit organization authorized by SED to provide, among other programs, preschool SC – over 2.5 hours per day and SCIS – over 2.5 hours per day special education services to children with disabilities who are three and four years of age. For the fiscal year ended June 30, 2016, WARC reported approximately $5.3 million in reimbursable costs for its preschool cost-based programs. The OSC audit recommended disallowances of $49,605 in costs that did not comply with SED's requirements for reimbursement, as follows:

- $6,416 in personal service costs, including $1,723 in executive bonus compensation and associated fringe benefits and $4,693 in salaries and fringe benefits already reimbursed under a different program.
- $13,294 in OTPS costs, including $4,094 in staff awards; $5,638 in incorrectly allocated legal fees; $3,245 for non-reimbursable food for staff/Board, a holiday party, a staff picnic, and a donation; and $317 in overreported expenses on the CFR.
- $29,895 in costs not offset by grant revenue received.

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