Audit Report

Advanced Therapy, PLLC – Compliance with the Reimbursable Cost Manual

for the Period

July 1, 2014 through June 30, 2015

SE-0918-01

February 14, 2020

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

DEPUTY COMMISSIONER
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February 14, 2020

Peter Scotto
President
Advanced Therapy, PLLC
10B Madison Avenue Extension
Albany, NY 12203

Dear Mr. Scotto:

I have enclosed the final report (SE-0918-01) for our audit of Advanced Therapy, PLLC's Compliance with the Reimbursable Cost Manual for the period July 1, 2014 through June 30, 2015. The audit was conducted pursuant to Section 200.18 of the Regulations of the Commissioner of Education.

Within ninety days from the issuance of this audit report, please submit a corrective action plan to the Office of Audit Services which details the specific steps that were taken by Advanced Therapy to implement the recommendations in the audit report.

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

Sincerely,

Sharon Cates-Williams

Sharon Cates-Williams
Deputy Commissioner

Enclosures

c: Shannon Tahoe
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Executive Summary

Background

Advanced Therapy, PLLC (Advanced Therapy) is a for-profit corporation, having its principal executive office located in Albany, New York. Advanced Therapy provides special education and related services to pre-school children with certain disabilities within Albany, Columbia and Greene ("Counties"). The Counties pay tuition to Advanced Therapy using rates set by the State Education Department (SED)'s Rate Setting Unit (RSU). RSU sets these rates based upon the fiscal information that entities present in the Consolidated Fiscal Reports (CFR) submitted to SED annually. SED provides entities with a Reimbursable Cost Manual (Manual) that outlines what costs are reimbursable and the required documentation needed to substantiate the costs.

Objectives and Scope

The Office of Audit Services conducted an audit to determine whether the costs claimed by Advanced Therapy on the Consolidated Fiscal Report for the period July 1, 2014 to June 30, 2015 were reasonable, necessary, directly related to the education program, and supported with adequate substantiating documentation as required by the Manual.

Audit Results

For the fiscal year ending June 30, 2015, Advanced Therapy reported expenses totaling $764,857 for the publicly supported pre-school special education programs. We disallowed 97 percent or $745,482 in expenses for failure to comply with the recordkeeping and accounting requirements in the Manual. Without adequate substantiating documentation, we could not determine if the costs were reasonable, necessary, or directly related to the education programs.

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Introduction

Background

Advanced Therapy is a for-profit corporation organized in 1998 under the laws of the State of New York. The President is the owner of the business. Advanced Therapy's principal executive office is in Albany, New York. Advanced Therapy operates two special education programs for pre-school children, including Special Education Itinerant Teacher program (code 9135) and two full day Integrated Special Classes (code 9160). In addition to the special education programs, Advanced Therapy provides early intervention services, related services (PT, OT and SLP) and evaluation services. For the period ending June 30, 2015, Advanced Therapy reported expenses of about $1.8 million for the State-approved programs that it operates and reports to SED (CFR-2, Column 5). Of this amount, Advanced Therapy reported $764,857 in expenses related to the operation of the two pre-school special education programs that were audited.

The Counties pay tuition reimbursements to Advanced Therapy using rates set by SED's Rate Setting Unit. RSU sets these rates based upon certified financial information reported by Advanced Therapy in an annual CFR. SED issued the Manual to provide guidance regarding the eligibility of costs and what adequate substantiating documentation is required for costs included on the CFR. The entity's chief executive officer is required to attest to the validity of the information contained in the CFR and certify that the CFR was prepared in accordance with the instructions, including the Manual's requirements and is true and correct. The State reimburses the counties for 59.5 percent of the tuition payments made to special education schools, such as Advanced Therapy.

Audit Findings and Recommendations

Commissioner's Regulations requires entities operating approved programs to 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. Final costs are determined upon field audit and will be considered for reimbursement provided that such costs are reasonable, necessary and directly related to the education program. Designation of a cost as reimbursable during the initial rate-setting process or during the reconciliation process does not mean that the cost will be reimbursed through the final audit rate.

Advanced Therapy reported expenses totaling $764,857 for the two tuition-based programs on its CFR for fiscal year ending June 30, 2015. We disallowed $745,482 in expenses for failure to comply with the recordkeeping and accounting requirements detailed in the Manual. Without adequate substantiating documentation, we could not determine if the costs reported on the CFR reasonable, necessary, and directly related to the education programs. The disallowed costs include personal services, fringe benefits, other than personal services, equipment, rent and administrative expenses (9135 and 9160).

Summary of Disallowed Costs			
Expenses	**Amount Per CFR**	**Amount Disallowed Per Audit**	**Amount Allowed Per Audit**
Personal Services	$ 516,225	$ 516,225	$ 0
Fringe Benefits	$ 56,770	$ 56,770	$ 0
Other Than Personal Services	$ 105,172	$ 85,797	$ 19,375
Equipment	$ 505	$ 505	$ 0
Property – Lease/Rental	$ 18,356	$ 18,356	$ 0
Administrative Costs Allocated to 9135 & 9160	$ 67,829	$ 67,829	$ 0
Totals:	**$ 764,857**	**$ 745,482**	**$ 19,375**

Accounting Requirements

According to the Manual, accounting books of original entry shall include asset, liability and fund balance or equity accounts, as well as expenditure and revenue accounts. Subsidiary revenue and expenditure accounts must be maintained for each program requiring a tuition rate and for evaluation and government grants administered by SED.

Advanced Therapy did not maintain subsidiary accounts for each program. Instead, they provided combined accounting records associated with what appears to be its for-profit

business. In order to support the costs reported on the CFR, they provided redacted bank statements and a general ledger without subsidiary accounts.

These records comprised both CFR and non-CFR related expenses. Without subsidiary accounts and ledgers, we could not reconcile expenses reported on the CFR to substantiating documentation.

Allocations

Any expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities benefited by the expenditure. Entities operating programs must use allocation methods that are fair and reasonable, as determined by the Commissioner's fiscal representatives. Such allocation methods, as well as the statistical basis used to calculate allocation percentages, must be documented and retained for each fiscal year for review upon audit for a minimum of seven (7) years.

Advanced Therapy did not maintain an appropriate documented allocation method. For example, the Manual requires that the share of rental expense allocated to programs be based on documented and reasonable criteria, such as square footage utilization, when more than one program is operated in a rented facility. Advanced Therapy provided documentation on how the rent for their administrative offices was allocated to each program, but the square footage per employee on the documentation did not agree with the square footage of the floor plan they provided.

Being that there was not an appropriate documented allocation method, we disallowed expenses from multiple cost codes including lease/rent and utilities.

Personal Service Costs

According to the Manual, compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed by the employee and a supervisor and must be completed at least monthly.

Advanced Therapy did not provide adequate payroll records. We requested supporting schedules that detail employees and the compensation that made up the total expenses reported on the CFR. Advanced Therapy provided a summary document with about 50 employees. However, the total amounts did not reconcile to the CFR. We could not determine exactly what employees and what amount of their compensation was included in the totals reported on the CFR. Although we asked for payroll records during the audit on multiple occasions, we were only provided copies of the federal and state quarterly withholding reports, which lacked the required details.

In addition, Advanced Therapy did not maintain any time records, as required by the Manual. Instead, employees mark as present or absent on an employee tracker. The form

did not contain the times worked, number of hours worked per day and week or include the employee and supervisor's signature.

Without adequate substantiating documentation, we could not determine if the costs were reasonable, necessary, or related to the education program. As a result, we disallowed $516,225 in personal services and $56,770 in fringe benefits.

Other-Than-Personal Services

According to the Manual, all purchases must be supported with canceled checks and invoices listing the items purchased, date of purchase and date of payment. Costs must be charged directly to specific programs whenever possible.

Advanced Therapy did not maintain and/or provide adequate records to support preschool special education service expenditures claimed on its CFR. We reviewed approximately 188 charges for expenses claimed by Advanced Therapy on the CFR for other-than-personal services, equipment, rent and administrative expenses. In order to determine if the expenses were reasonable, necessary, directly related to the education program, we requested a crosswalk between the general ledger and the CFR, indicating where expenditures on the general ledger were claimed on the CFR. However, we were only provided partial copies of credit card statements with comingled costs, purchase orders and invoices that did not indicate how the expense was related to the program. The majority of costs were missing receipts, invoices, explanations of business purposes, and a documented reasonable allocation methodology.

Without adequate substituting documentation and acceptable allocation methods, we disallowed costs totaling $172,487 for other-than-personal services, equipment, rental/lease and agency administration allocated to the 9135 and 9160 programs.

Recommendations

The President of Advanced Therapy should:

1. Maintain subsidiary revenue and expenditure accounts for each approved program requiring a tuition rate, for preschool evaluation costs and for each government grant administered by the Commissioner.

2. Establish and document cost allocation methods for expenses that cannot be charged directly to a specific program.

3. Ensure that compensation costs are based on approved, documented payrolls supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed by the employee and a supervisor and must be completed at least monthly.

4. Ensure that purchases are supported with canceled checks and invoices listing the items purchased, date of purchase, and date of payment. Costs must be charged directly to specific programs whenever possible.

Objectives, Scope and Methodology

The Office of Audit Services conducted an audit to determine whether the expenses claimed by Advanced Therapy on the CFR for the period July 1, 2014 to June 30, 2015 were reasonable, necessary, directly related to the education program, and supported with adequate substantiating documentation, as required by the Reimbursable Cost Manual.

To accomplish our objectives, we interviewed management at Advanced Therapy, examined documentation provided by Advanced Therapy to support their contention that the costs complied with the Manual, and reviewed the Manual for clarification on required recordkeeping practices for costs.

We conducted this audit in accordance with generally accepted auditing procedures. Those procedures require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Reporting Requirements

We provided a draft copy of this report to Advanced Therapy officials for their review and formal comment. We considered their comments in preparing this report and have included them in their entirety at the end of this report. In Advanced Therapy's response, officials disagreed with disallowances identified in our report. Our responses to Advanced Therapy's comments are included in the report's SED Comments.

Contributors to the Report

- Jeanne Day, Audit Manager
- Karen Bates, Auditor-in-Charge
- Kendal Dwyer, Auditor

Appendix A - Advanced Therapy, PLLC
Audit Response

INTRODUCTION

In September of 2018, SED's Office of Audit Services (OAS) began auditing Advanced Therapy's operating costs and expenses associated with its section 4410 special education school as reported on its 2014-15 Consolidated Fiscal Report (CFR). After a little over a year of reviewing our documentation, on October 8, 2019, OAS's audit team released a final "draft report" concluding that only 3% of the reported expenses were allowable.

Given the lack of any allegation that Advanced Therapy failed to provide the services at issue, the recommended disallowance of 97% of Advanced Therapy's costs simply defies common sense and is arbitrary and capricious on its face. Advanced Therapy's cost reporting for the 2014-15 school year was a good faith effort and accurately reflects and complies with the guidelines contained within SED's 2014-15 Reported Cost Manual, a document which at best is difficult to follow and confusing to the layperson.

Comment 1

Perhaps the single best example of the lack of clarity surrounding the cost reporting requirements and the irrationality of OAS's conclusions, is the recommended disallowance by OAS of Advanced Therapies allocation across the 9135 and 9160 programs of salary costs for its Executive Director and receptionist . The allocation of these costs by Advanced Therapy were calculated using SED's own formula and software, the only input from Advanced Therapy was the amount of the salaries themselves. Despite the fact that Advanced Therapy had no involvement in the calculation, and properly inputted the salary amounts, OAS somehow determined that these costs were not properly allocated and recommended that all of these costs be disallowed.

Comment 2

In addition, OAS's claims that Advanced Therapy did not provide sufficient documentation to validate the expenses associated with staff salaries and/or the allocation of these costs across various programs is inexplicable in light of the literal mountain of documentation provided by Advanced Therapy to substantiate these costs. The chart below identifies the nature of the information and types of documents that Advanced Therapy provided to OAS for each of its employees. PAYROLL

All 941's and NY 45's, payroll journals, payroll invoices, payroll reports generated from Paychex were provided and complete access to payroll company was granted so audit team could request any information pertaining to employees during this audit period.

EMPLOYEE DOCUMENTATION

All employee trackers were provided supporting employee attendance on a monthly basis.

STUDENTS ASSIGNED TO PROGRAM

Student IEP and STAC documents provided which confirmed level and dates of services.

|

STUDENT ATTENDANCE

All monthly student attendance forms were provided indicating the program, dates of service, employee signature and supervisor signature.

Additionally, session notes confirmed student and employee attendance. This could have also been confirmed through the attendance records from an independent busing company hired to provide the free transportation offered to students attending all 4410 schools.

Advanced Therapy's specific itemized objections to each of the conclusions in OAS's final Draft Report are noted below. Nonetheless, and notwithstanding the fact that Advanced Therapy strongly disagrees with OAS's recommendations and its reasoning for the same, to avoid any similar complications in the future, Advanced Therapy has implemented a revised internal tracking form so that all the information contained within the documents highlighted above will be available to the audit team in one document. This in no way takes away from the fact that the audit team had all necessary information to confirm salaries and expenses.

Comment 3

PERSONAL SERVICES

This section pertains to salary and benefits for the indirect and direct staff at Advanced Therapy. Salary and benefits of direct and indirect staff are approximately 85% of the overall expenses in program 9135 and approximately 77% of the overall expenses in program 9160.

Payroll Documentation:

The audit team was provided with the following information:

1. Quarterly tax reports NY45 and 941
   (PROVIDED EACH EMPLOYEES QUARTERLY AND ANNUAL EARNINGS)

2. Reports and Payroll Journals from payroll company (Paychex)
   (PROVIDED EACH EMPLOYEES EARNINGS TO COMPARE
   TO QUARTERLY)

3. Biweekly invoices/time sheets for hourly/per session staff

4. Provided full access to request all information from our payroll company Paychex
(HAD UNFETTERED ACCESS TO PAYROLL RECORDS)

5. All billing documentation submitted to counties for payment. (NOTE THESE DOCUMENTS ARE COUNTY FORMS PROVIDED TO ALL AGENCIES FOR PAYMENT)

6. STAC forms which are provided to agencies to confirm services are with said agency. This form must be provided by SED to any agency in order to receive payment.

The information above gives a clear path to determining salaries applied to each program. The assigned direct staff is confirmed by signed attendance logs and session note documentation. All documents were made available and were provided to the team.

NON DIRECT PERSONAL

Comment 4

Executive Director:

(SALARY IS ALLOCATED BY SED SOFTWARE. ADVANCED THERAPY ONLY INPUTS TOTAL ANNUAL SALARY WHICH IS CONFIRMED BY VARIOUS DOCUMENTS PROVIDED)

The CFR manual requires that an agency input the entire Executive Director salary and other appropriate staff in section CFR-4 lines 601 and 605. Advanced Therapy received guidance from the Rate Setting Unit (RSU) on this matter, and was directed to continue inputting the Executive Director's annual full time salary.

The CFR software automatically distributes the annual salary to the appropriate programs, on CFR-1, line 65. RSU then makes adjustments to this allocation based on the median salary methodology.

WE SUGGEST THE AUDIT TEAM DISCUSS WITH RATE SETTING THE APPROPRIATE METHOLODY FOR THIS POSITION SO THAT OUR AGENCY CAN CORRECTLY INPUT THE INFORMATION INTO THE SOFTWARE SYSTEM. ADVANCED THERAPY EARGERLY AWAITS GUIDANCE.

Other Non-Direct Office Administration

Advanced Therapy utilized an annual look back verses the quarterly time study for all non-direct office administration. The methodology utilized for said look back is consistent with that of a time study. Advanced Therapy's look back for this year included:

- Average number of weekly hours allocated to each program
- List of duties and tasks completed for each program
- Signed and dated statement of validity

The above methodology is an acceptable alternative to the recommended methods "**RCM, page 49, and excerpt "If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accept accounting principles may be utilized".** **(See Appendix 1)**

As of the 2015-2016 school year we started performing quarterly time studies for all non-direct office administration. This corrects the audit teams concerns moving forward.

Comment 5

DIRECT CARE RECORD KEEPING

Advanced Therapy provided the audit team with sufficient documentation that would allow them to confirm payroll – staff – school. As required by the 14-15 Reimbursable Cost Manual (page 49) the following record keeping documentation was provided for direct care personal who worked in the 9135 and 9160 school:

- Documented payrolls
- Employee time sheets
- Signed by the employee
- Signed by a supervisor
- Completed at least monthly.

In addition, Advanced Therapy provided the audit team with copies of all documentation that was submitted to the counties for payment of services. These forms are generated by the county and meet requirements for NYSED/Part 200, Medicaid, all other insurances and payment directly from county which includes the states 59.5% contribution. See below the following material provided:

- Monthly student attendance (Meets all SED requirements which include employee's signature, supervisor signature, services provided/dates of service).

- Daily student session notes (Meets all SED requirements which includes the employee's signature, supervisor signature, dates of service, time service was rendered plus CPT codes, and narrative of services provided during session).

- Monthly employee attendance trackers

- Billing invoices for hourly/per session staff

DIRECT SALARY

9135 Program

The following documentation for program 9135 was provided and meets all requirements for the CFR:

1. Student daily attendance log meets all requirements - date, time, employee supervisor signature. (See attached Appendix 2)

2. Student session notes. (See attached Appendix 3)

3. Billing invoices from employee. (See attached Appendix 4)

4. Employee monthly tracker - Although the agency's employee monthly tracker had an X to mark present, county required forms meet all requirements. (See attached appendix 5)

The county provided attendance sheet meets all required CFR items listed as indicated in OAS's letter. See below:

1. **Date of service provide** **(see A on Appendix 2)**
2. **Time of services** **(see B on Appendix 2)**
3. **Provider signature** **(see C on Appendix 2)**
4. **Supervisor signature** **(see D on Appendix 2)**

9160 Program

The audit team was presented with all documents provided to our agency by the county in which our students reside. It was felt that the county utilization of a "P" to mark the student present did not meet #2 of the below requirements.

1. **Date of service provide** **(see A on Appendix 6)**
2. **Time of services** **(see B on Appendix 6)**
3. **Provider signature** **(see C on Appendix 6)**
4. **Supervisor signature** **(see D on Appendix 6)**

Unlike the 9135 program, the 9160 program is not a direct individual 30 minute session. Instead the 9160 program is a school based program that children attend for 5 hours per day over the course of a school year. That is why the 9160 school has a "P" to represent the full day of attendance verses the 9135 program that has time in/out for a direct 30 min session.

The audit team was presented with STAC and IEP's for students attending our school that clearly indicate the frequency for each student (5x per week), time (5 hours per day) and provider

(Advanced Therapy). In addition, the transportation records provided from a third party vendor could be used to confirm student's attendance on the days marked present with a "P".

SCIS SPECIAL EDUCATION TEACHERS

During the 14-15 school year, there were 3 special education teachers who worked in program 9160. Two were full time employees, with one going on a 6 week maternity leave. The third teacher covered for the 6 week maternity leave. Documentation provided to OAS, easily demonstrated the special education teachers working in program 9160 and included the following county required billing forms and internal Advanced Therapy forms:

1. Student attendance log with date, signature, and supervisor signature.
(See attached Appendix 6)

2. Student session notes with date, signature, and supervisor signature.
(See attached Appendix 3)

3. Employee monthly tracker. (See attached Appendix 5)

Program 9160 is 5 hour per day school program that follows a 180 day school year calendar and 30 day extended school year calendar. Per county requirements, student attendance is indicated by a "P" which represents that the student is present in the classroom. Time in and out is not required to indicate attendance in the special education program as attendance is documented on a per day basis and not a 30 minute basis like itinerant services (program 9135). This is common practice in all schools as marking time in and out is not required. These classrooms have an approved ratio of 6 students, 1 special education teacher and 1 teacher assistant. Classroom staff are on site for the entire 5 hours as required by SED even with as little as 1 student enrolled in the program.

The attendance log for each student which is signed by the special education teacher, each therapist providing services in the program and the supervisor, can be compared to the teacher's and therapist's daily session note to confirm the student's attendance on any given day.

OAS was provided with STAC forms which indicate the student, services that include the 5 hour special education class (9160) and the company that has been assigned. (See attached Appendix 7) This could be compared with the students IEP to confirm accuracy. It also could be compared with the independent busing company's student's attendance record to program (drop off and pick up times).

Although the documentation provided to OAS for the 2014-15 school year clearly met all required criteria, Advanced Therapy has modified our internal tracking documents in accordance with OAS's recommendations to ensure that in the future the information OAS requires is available on a single form.

TEACHERS ASSISTANTS

The audit team was presented with all biweekly invoices that our hourly TA submitted which included all 4 categories required by the CFR (see attached Appendix 8):

5. **Date of service provide** **(see A on Appendix 8)**
6. **Time of services** **(see B on Appendix 8)**
7. **Provider signature** **(see C on Appendix 8)**
8. **Supervisor signature** **(see D on Appendix 8)**

We have provided OAS with the invoices we submitted to payroll for hours worked in the 9160 school. Said invoices met all the criteria above (see attachment Appendix 8). Nonetheless, the changes we have made to our current tracking system will eliminate any similar issues from occurring in the future.

RELATED SERVICE PROVIDERS

The FTE of related service staff was utilized to calculate the allocation of staff salaries and benefits for those employees that serviced the 9160 program. FTE for staff was based on the following items:

- Student caseload – prorated based on the student's start date and frequency/duration of recommended service
- Documentation requirements
- Supervision requirements
- Travel to classroom site

The above formula utilized by Advanced Therapy grossly underestimated the therapist's time allocated to program 9160, as our documentation did not account for time in class with low enrollment.

OAS was provided with the following information to support related service staff allocations:

1. Student attendance log with date, signature, and supervisor signature.
(See attached Appendix 6)

2. Student session notes with date, start and end time of session, signature, and supervisor signature. (See attached Appendix 3)

3. Employee monthly tracker. (See attached Appendix 5)

Once again, although the documentation provided to the audit team met all required criteria, the modifications we have made to our current tracker will provide all information in one document for purposes of any future audits.

Comment 6

ACCOUNTING REQUIREMENTS

Advanced Therapy disagrees with OAS's conclusion that our agency did not maintain subsidiary accounts for each program. In fact, Advanced Therapy provided OAS with information demonstrating that we allocated all appropriate items to subsidiary accounts. Subsidiary accounts were listed as separate line items and sub-items on the QuickBooks profit and loss statement by detail as follows:

- Integrated classroom expense
- Integrated company meetings
- Integrated admin continuing education
- Integrated company supplies
- Integrated classroom travel expense
- Integrated continuing education
- Integrated evaluation forms
- Integrated evaluations
- Legal fees integrated class
- Total finger printing employee integrated
- Snacks
- Integrated classroom expense - Other
- Total Integrated Classroom expense
- SEIT continue education
- Finger printing employee SEIT
- SEIT expenses
- Company meetings SEIT
- SEIT company meeting
- SEIT evaluations
- SEIT supplies
- Advertisement SEIT
- SEIT equipment
- SEIT travel

In 2014 – 2015 all direct expenses regarding Advanced Therapy subsidiary methodologies were approved by SED. It seems unfair that 3 years later the same methodology is no longer acceptable. (See attached Appendix 9). Advanced Therapy will continue to allocate all appropriate expenses to a subsidiary account when appropriate. We have made significant changes since 14-15 to the purchase order process and dedicated a credit card solely to program expenses to avoid any confusion in future years.

PROGRAM EXPENSES

Advanced Therapy disagrees with OAS's position that documentation for program expenses was incomplete. Advanced Therapy provided the audit team with extensive information, which included but not limited to the following:

- spreadsheet sheets provided for every CFR expense line item that broke out the expenses by educational program
- bill or invoice
- credit card statement
- check
- purchase order
- Other documentation

Although OAS claimed that some credit card receipts were missing, our requests to OAS, on multiple occasions, for an itemized list of the same was never provided, making it impossible to search for and furnish the allegedly missing items. As of November 8th 2019 we have not yet receive said list.

ALLOCATIONS

OAS's reasoning for disallowing all expenses in this category is very unclear. It defies the logic of acceptable accounting principles.

Our company utilized the 14-15 CFR manual recommended allocation formulas for each of the specific line items referenced below, but OAS still recommended that the costs be disallowed.

Line Items

- 22
- 23
- 49

The stated reason for denying said allocations was an alleged discrepancy between the original square footage reported on the CFR and the floor plan provided by Advanced Therapy. The formula utilized for this section is what was recommended in the **14-15 CFR and RCM manuals as well as confirmed via email by SED rate setting unit (see attached Appendix 10).** These expenses cannot be assigned to a subsidiary account as the allocation to such account is contingent on information we can only gather at the end of each year.

Advanced Therapy strongly disagrees with OAS's findings with respect to these expenses. Alternative solutions we can offer the audit team is complete access to our facility so they are able to independently measure our space. Advanced Therapy has set aside the necessary tools needed to perform task, i.e. tape measure, that will be available to the audit team if the need arise.

OTHER THAN PERSONAL SERVICES

The statement that Advanced Therapy did not provide cancelled checks, invoices listing items purchased and date purchased, etc. is false. Below is a list that includes most of the items we provided to the audit team.

The audit team is correct in that we did not utilize the **preferred** methodology recommended in the 14-15 CFR manual for line items 28, 36, 38 and 40. Instead we decided to utilize a more reasonable method, which was specifically **recommended** in the CFR manual as an alternative to using units of service as required by the 9160 school.

(CFR Manual Appendix J (43.4) –see attached). "If the recommended allocation method does not apply, the provider should determine a more reasonable method of allocation. Example: A service provider needs to allocate supplies and materials costs to several program/sites. The recommended allocation method noted above is units of service. However, all the program/sites do not report units of service. In this case, a more reasonable method of allocating supplies and materials would be to allocate the cost based on usage."

Auditors were provided with the following documentation:

- Crosswalk of expenditures
- Cancelled checks
- Credit card statement
- Receipts
- Bills/invoices
- Purchase orders
- Bank statements
- Miscellaneous items

Advanced Therapy recalculated shared expenses per the audit teams recommended methodology for line items 28, 36, 38, 39 and 40. This resulted in an increase of expense in the amount of **$1,820.71. Advanced Therapy did not request an adjustment.**

CONCLUSION

Over the past year Advanced Therapy has exhausted financial, administrative and other resources in trying to find a resolution to this audit. We are eager to move on from this experience so that our energy can be focused on the students attending our school.

The recommendations suggested by the audit team are broad and provide no clear direction on what needs to be improved on if anything at all. Although we have been able to make modifications to our tracker that will help consolidate information into one document we still are left with many unanswered questions.

Moving forward we are confident the modification to the tracker and other items will allow future audit teams the ability to locate all necessary information on one document. These changes will provide additional support to the required county and state documentation.

Appendix 1

SECTION III
GENERAL REQUIREMENTS

1. *Recordkeeping*

Section 200.9 (d) of the Commissioner's Regulations requires entities operating approved programs to 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.

Costs will not be reimbursable on field audit without appropriate written documentation of costs. Documentation includes but is not limited to:

A. Payroll

Compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed by the employee and a supervisor, and must be completed at least monthly.

B. Time Distribution

Actual hours of service are the preferred statistical basis upon which to allocate salaries and fringe benefits for shared staff who work on multiple programs. Entities must maintain appropriate documentation reflecting the hours used in this allocation. Acceptable documentation may include payroll records or time studies. If hours of service cannot be calculated or a time study cannot be completed, then alternative methods that are equitable and conform to generally accepted accounting principles may be utilized. Documentation for all allocation methods (bases and percentages) must be retained for a minimum of seven years. Guidelines for acceptable time studies for CFR filers are provided in Appendix L - "Acceptable Time Studies" of the CFR Manual.

C. Consultants

(1) The Department will use government publications including the IRS Publication 15-A Employer's Supplemental Tax Guide and the Handbook for Employers published by the New York State Unemployment Insurance Division as a guide to determine when individuals employed by the program are independent contractors or consultants and when individuals are employees. Teachers who provide core (IEP mandated) special education instructional services in approved special education programs must be supervised and therefore should always be treated as employees.

(2) Adequate documentation includes, but is not limited to, the consultant's resume, a written contract which includes the nature of the services to be provided, the charge per day and service dates. All payments must be supported by itemized invoices which indicate the specific services actually provided; and for each service, the date(s), number of hours provided, the fee per hour; and the total amount charged. In addition, when direct care

Appendix 2

ALBANY COUNTY DEPARTMENT for CHILDREN, YOUTH AND FAMILIES CPSE PROGRAM ATTENDANCE REPORT

Attendance Report for SEIT Services

CHILD'S NAME _____

MONTH / YEAR _____

SEIT:
1 unit = .5 hr.
Location = Home (H)
Provider/daycare (P)

Attendance Code (AC):
Child Absent=CA
Holiday = HD
Teacher Absent = TA

AGENCY NAME _____

SITE _____

A

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ B Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature
___ # Direct ___ # Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature
___ # Direct ___ # Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature
___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature
___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature	___ Direct ___ Indirect Start Time: _____ End Time: _____ Location: _____ AC _____ Parent/Caregiver Signature

D
_____
PROGRAM DIRECTOR

C
_____
TEACHER

Absensces/Makeups: _____

Total # of Seit Units provided _____
Billable Units _____
Rate _____

CLAIM TOTAL _____

Revised: Nov. 2009

Appendix 3

ADVANCED THERAPY, P.L.L.C.
One Rapp Road
Albany, New York 12203

EARLY INTERVENTION/PRESCHOOL SESSION NOTES

ICD 9/10 code: _____ **Page** ____ **of** _____

Child: _____ DOB: _____

Therapist/Discipline: _____ Month/Year: _____

License #: _____ NPI #: _____

County: _____ Service Coordinator: _____

Frequency/Duration of service: _____ Check one: ☐OT ☐PT ☐ST ☐TVI ☐SpEd

Team Member Contact/Approach: _____

Therapist Signature: _____ Date: _____

Date of session: _____ A **CPT Codes:** _____ _____ _____ _____

Size: ☐ Individual ☐Group__(size) **Group Codes:** _____ _____ _____ **Re-Eval Codes:** _____

Time In: _____ B Time Out: _____ Make up session for: _____ Location: _____

Parent support, education and or guidance: _____

☐ Washed hands (check) Signature/credentials/date: _____ C

☐ Used gloves (check) Supervisor's signature/credentials/date: _____ D

Parent Signature/date: _____

Date of session: _____ **CPT Codes:** _____ _____ _____ _____

Size: ☐ Individual ☐Group__(size) **Group Codes:** _____ _____ _____ **Re-Eval Codes:** _____

Time In: _____ Time Out: _____ Make up session for: _____ Location: _____

Parent support, education and or guidance: _____

☐ Washed hands (check) Signature/credentials/date: _____

☐ Used gloves (check) Supervisor's signature/credentials/date: _____

Parent Signature/date: _____

Date of session: _____ **CPT Codes:** _____ _____ _____ _____

Size: ☐ Individual ☐Group__(size) **Group Codes:** _____ _____ _____ **Re-Eval Codes:** _____

Time In: _____ Time Out: _____ Make up session for: _____ Location: _____

Parent support, education and or guidance: _____

☐ Washed hands (check) Signature/credentials/date: _____

☐ Used gloves (check) Supervisor's signature/credentials/date: _____

Parent Signature/date: _____

**** Notes on this page have been reviewed by the supervising clinician****

Signature/credentials of supervising clinician: _____

Date of Review: _____ License #: _____ NPI#: _____ Revised 9/2014

Appendix 4

Advanced Therapy P.L.L.C.
One Rapp Road
Albany, New York 12203
(518) 867-3061 fax (518) 867-3066

INVOICE FORM

Therapist Name:_____ Date _____

(Complete One)

Week: _____(dates) Biweekly:_____ (dates) Monthly:_____ (month)

Child's Name	Date of Service	# of Sessions provided	# of Sessions not provided	Cost per Session	Total cost
				Total Cost =	

Appendix 5

ADVANCED THERAPY P.L.L.C.

EMPLOYEE TRACKER FORM
2014-2015

EMPLOYEE NAME: _____ HOURS/WEEK: _____

MONTH/YEAR: _____

PLEASE MARK # OF HOURS WORKED IN EACH PROGRAM PER DAY

Program	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31

X= PRESENT AT FACILITY FC=FACILITY CLOSED *=CSE MEETING H=HOLIDAY
P=PERSONAL DAY S=SICK DAY HD=WORKED ½ DAY (provide explanation below)

_____

_____

_____

Appendix 6

Advanced Therapy,PLLC Special Class in an Integrated Setting
CHILDREN WITH SPECIAL NEEDS PROGRAM

CENTER BASED ATTENDANCE AND THERAPY REPORT
CPSE SERVICES ONLY

Classroom _____ **County** _____

ADVANCED THERAPY
AGENCY

CHILD'S NAME (Last, First) _____ **DOB** _____

USE ONLY THE LETTERS PROVIDED IN THIS KEY

G = RELATED SERVICE DELIVERED IN GROUP
I = RELATED SERVICE DELIVERED 1:1
P = PRESENT AT CB PROGRAM/THERAPIES
A = AUTHORIZED ABSENCE FROM CB PROGRAM/THERAPIES
U = UNAUTHORIZED ABSENCE FROM CB PROGRAM/THERAPIES
S = STAFF/CONFERENCE DAY
W = WEATHER CLOSING

B **MONTH/YEAR**

SERVICES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	# days of attendance	CPT Code	NPI number
PROGRAM ATTENDANCE A																																		
SPEECH THERAPY																																		
OCCUPATIONAL THERAPY																																		
PHYSICAL THERAPY																																		
SOCIAL WORK/PSYCHOLOGICAL																																		
1:1 AIDE																																		
OTHER RELATED SERVICE - SPECIFY																																		

Signatures (with credentials &date) needed for all Center Based services:

C

_____ Special Educ. Teacher
_____ Occupational Therapist
_____ Physical Therapist
_____ Psych/CSW
_____ 1:1 aide

I certify that on the dates above, the above named child received the services noted and that documentation exists and is maintained on file verifying the delivery of said services in accordance with all relevant Federal, State and Local Laws and Regulations governing the Medicaid process.

SPEECH:

☐ _____ SLP

☐ _____ TSHH/CFY

☐ _____ date of first co-vist with SLP (if required)

D

_____ PROGRAM DIRECTOR

$ _____ **CLAIM TOTAL**

7.10

Appendix 7

PRESCHOOL STAC-1

(Updated February 2014)

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

Request for Commissioner's Approval of Reimbursement for Services for Students with Disabilities Pursuant to Section 4410 of the Education Law

STAC-ID ☐☐☐☐☐☐

STUDENT INFORMATION		
Last Name	First Name	Middle Initial
Date of Birth (mm/dd/yy) ___/___/___	Student Identification Number *(if applicable)* ☐☐☐-☐☐☐-☐☐☐	Gender ☐ Female ☐ Male

Public School District that has Committee on Preschool Special Education Responsibility ☐☐☐☐☐☐☐☐☐☐☐☐

County of Child's Current Location (where child resides) ☐☐

County at Time of Placement in Foster Care or in Temporary Housing or in a residential facility licensed or operated by another State Agency ☐☐

Service Provider for Special Class, SCIS or SEIT ☐☐☐☐☐☐☐☐☐☐☐☐

a. _____

b. Is this the same provider that conducted the most recent evaluation for this student? ☐ Yes ☐ No

Name of Program ☐☐☐☐ - ☐

PLACEMENT TYPE	RACIAL ETHNIC CATEGORY OF STUDENT
Approved Program (DSPRE) ☐ Special Class ☐ Special Class Integrated Setting (SCIS) **Related Services and/or SEIT (DSSEI)** ☐ Related Services only ☐ Special Education Itinerant Teacher and/or SEIT plus Related Services	☐ Hispanic or Latino **Not of Hispanic Origin:** ☐ American Indian or Alaskan Native ☐ Asian or Pacific Islander ☐ Black or African American ☐ Native Hawaiian or other Pacific Islander ☐ White ☐ Two or more Races ***(see explanation on reverse side)***

RELATED SERVICE OR SEIT PROVIDER	TYPE OF RELATED SERVICE	HRS PER DAY	DAYS PER WK

SERVICE INFORMATION	FROM (Mo./Day/Yr.)	TO (Mo./Day/Yr.)	HRS. PER DAY	DAYS PER WEEK	SEIT OR RELATED SERVICES INDIVIDUAL	GROUP	NUMBER OF HALF HOUR SESSIONS	RATE PER HALF HOUR SESSION
Education or SEIT	___/___/___	___/___/___						
Related Service 1	___/___/___	___/___/___						
Related Service 2	___/___/___	___/___/___						
Related Service 3	___/___/___	___/___/___						
Related Service 4	___/___/___	___/___/___						
Related Service 5	___/___/___	___/___/___						

TRANSPORTATION

Dates of Transportation

___/___/___ ___/___/___

Total Cost of Transportation

$_____._____

AUTHORIZATION OF PLACEMENT: I certify that the preschool student with a disability herein named is being provided the educational services indicated and that such services have been recommended by the Committee on Preschool Education and the child is eligible for such placement in accordance with the Regulations of the Commissioner and Section 4410 of the Education Law.

Signature: _____ _____

Appendix 8

Advanced Therapy P.L.L.C.
One Rapp Road
Albany, New York 12203
518-867-3061 fax 518-867-3066

PRESCHOOL INVOICE FORM

Teacher/Therapist:_____ Discipline: _____

Classroom:_____ Month/Year: _____

Dates Present: (A) _____

Dates Absent: _____

Total Hours/Days: (B) _____ Total Claim: _____

Signature: (C) _____ Date: _____

(D) = Supervisor approved by Payroll/HR Department

Appendix 9
(page 1 of 2)

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

OFFICE OF SPECIAL EDUCATION
ASSISTANT COMMISSIONER
89 Washington Avenue, Room 301M EB • Albany, NY 12234
www.p12.nysed.gov/specialed/

Telephone (518) 402-3353
Fax: (518) 402-3534

June 2, 2015

Mr. Peter Scotto
President
Advanced Therapy OT, PT, SLP, Psychologist, RN, PLLC
1 Rapp Road
Albany, NY 12203

Dear Mr. Scotto:

The New York State Education Department (NYSED) has completed its Preschool Reapproval Review of Advanced Therapy. The review was conducted pursuant to section 200.20(c) of the Regulations of the Commissioner of Education to determine whether the program provides quality services in a necessary and cost-efficient manner and in the least restrictive environment for preschool students with disabilities. In conducting this review NYSED also reviewed:

- the program's fiscal and governance structures to ensure that the program has a clearly defined governance structure, an appropriate system of internal controls and operates in a fiscally responsible manner; and
- background information on the owner(s), chief executive officer(s) and/or chief administrator(s) to ensure they possess the character, competence and suitability to oversee a preschool special education program.

Based upon our review findings, it is the determination of NYSED that Advanced Therapy meets the criteria for reapproval to continue serving preschool students with disabilities ages three and four under section 4410 of the Education Law. The enclosed chart identifies all program models for which you are now approved, including a new site and integrated classroom, as requested in a concurrent modification application. Conditional reapproval previously granted for Advance Therapy's special class (SC) program will continue until 4/19/2016 or until such time as NYSED program and/or fiscal staff verify that you are operating the SC program consistent with NYSED's approval.

As a result of this reapproval, it is expected that your agency will abide by all applicable laws and regulations and implement the program as approved. Your agency is eligible to receive public funding (approved tuition costs) for educating preschool students with disabilities placed in the approved program(s) pursuant to section 4410 of the Education Law.

Please note that prior to implementing future changes in any aspect of the program design, the proposed program modification must be submitted on the Preschool Program Modification Request Application, which can be found at http://www.p12.nysed.gov/specialed/applications/preschool-home.html and approved by this Office in writing.

I appreciate your efforts to provide high quality special education services. If you have any questions regarding the information contained in this letter, please contact your Special Education Quality Assurance Eastern Regional Office at (518) 486-6366.

Sincerely,

James P. DeLorenzo

James P. DeLorenzo

Enclosure

c: Monica Short
Diane Avery
Rusty Kindlon
Nora Galto
Sheila Costa
James DeMeo
Robert Wojtkiewicz
William Weaver
Jill McMahon
Albany County Section 4410 Designee
Early Childhood Direction Center Eastern Region
Jim Hart

Appendix 10 (Page 1 of 2)

Capital and Related Costs

Note: If a particular methodology has been specified in the development of the rate/fee, that methodology must be used.

SED Only: Units of Service Allocation may not be used for Special Education Itinerant Teacher (SEIT) programs.

When programs share the same geographic location or more than one State Agency is served at the same geographic location, property and related costs must be allocated between the programs/State Agencies benefiting from those resources. These costs include expenses such as utilities, repairs and maintenance, depreciation, leases or mortgage interest. The most common method uses square footage as the statistical basis. However, if the use of this method in a specific situation does not result in a fair allocation of the costs, another reasonable method can be used. Square footage cost allocations must be calculated using the following procedure: (square footage should be the interior square footage).

1. Determine the number of square feet which is used exclusively by each program or State Agency, i.e., not shared in common.
2. Determine the number of square feet which is shared in common, i.e., lobby, restrooms, conference areas, etc.
3. Calculate an allocation ratio by dividing each exclusive square footage amount by the total site amount less the commonly shared amount.
4. Multiply each respective cost by the allocation ratios to determine the allocated dollar amount.

Example 1: Square Footage Allocation:

Step 1 -	Exclusive square feet	-	Program A = 500 sq. ft.
	Exclusive square feet	-	Program B = 300 sq. ft.
Step 2 -	Common Square Feet	-	1,000 sq. ft.
	Total Site Square Feet	-	1,800 sq. ft.
Step 3 -	Program A = 500/(1,800-1,000)	=	.625
	Program B = 300/(1,800-1,000)	=	.375
Step 4 -	Utility Expenses	=	$5,000

Program A Allocation = $5,000 X .625 = $3,125
Program B Allocation = $5,000 X .375 = $1,875

One reason why the square footage method might not accurately reflect the cost to be allocated to a State Agency/Program would occur when a program uses a significant amount of space, but not much space exclusively. In that case, units of service or staff FTEs might be a better choice as the basis for the allocation. In a case where the shared space is used at different times by different programs (daytime vs. evening, different days) the hours of use might better reflect the benefit to the program and the allocation of the costs.

Appendix 10
(Page 2 of 2)

To expand on the example above, assume program A uses the common area 3 days per week and program B uses the common area 2 days per week:

Step 1 -	Exclusive square feet	-	Program A = 500 sq. ft.
	Exclusive square feet	-	Program B = 300 sq. ft.
Step 2 -	Common Square Feet	-	1,000 sq. ft.
	Total Site Square Feet	-	1,800 sq. ft.
Step 3 -	Program A= (500+ (3/5 *1000))/ 1,800 = .61111		
	Program B= (300+ (2/5* 1000))/ 1,800 = .38889		
Step 4 -	Utility Expenses =		$5,000
	Program A Allocation =		$5,000 X .61111= $3,056
	Program B Allocation =		$5,000 X .38889 = $1,944

Any questions should be referred to the funding state agencies or your accounting professional.

General Operating Expense

Expenses such as food, transportation, supplies and material, staff travel and training, etc. which cannot be directly charged to a specific program or State Agency must be allocated across all such entities deriving benefits. If you are unable to direct charge expenses to agency administration or program/site(s), you may use the following recommended allocation methods for each specific OTPS item:

OTPS Item	Recommended Allocation Method
Food	Meals Served
Repairs and Maintenance	Square Feet
Utilities	Square Feet
Transportation Related	Number of Trips or Mileage
Staff Travel	Full-Time-Equivalents
Participant Incidentals	Direct Charge Only
Expensed Equipment	Units of Service if the item is shared by more than one State Agency or program site.
Subcontract Raw Materials	Units of Service Only
Participant Wages	Units of Service Only
Staff Development	Full-Time-Equivalents
Supplies and Materials	Units of Service
Telephone	Number of Lines
Insurance-General	Ratio Value
Other	Units of Service

If the recommended allocation method does not apply, the provider should determine a more reasonable method of allocation. Example: A service provider needs to allocate supplies and materials costs to several program/sites. The recommended allocation method noted above is units of service. However, all the program/sites do not report units of service. In this case, a more reasonable method of allocating supplies and materials would be to allocate the cost based on usage.

Appendix II
(page 1 of 2)

A Hofnagel

Subject: FW: square footage method

From: Djahida Benantar [mailto:Djahida.Benantar@nysed.gov]
Sent: Thursday, April 11, 2019 11:00 AM
To: A Hofnagel <ahofnagel@advancedtherapy.org>
Subject: Re: square footage method

Dear Anne,

I apologize for the delay in our response.

Please see the following excerpt from Appendix J of the July 1, 2015 to June 30, 2016 CFR Manual, which details the procedures that are to be used when allocating costs based on square footage.

Capital and Related Costs

Note: If a particular methodology has been specified in the development of the rate/fee, that methodology must be used.

SED Only: Units of Service Allocation may not be used for Special Education Itinerant Teacher (SEIT) programs.

When programs share the same geographic location or more than one State Agency is served at the same geographic location, property and related costs must be allocated between the programs/State Agencies benefiting from those resources. These costs include expenses such as utilities, repairs and maintenance, depreciation, leases or mortgage interest. The most common method uses square footage as the statistical basis. However, if the use of this method in a specific situation does not result in a fair allocation of the costs, another reasonable method can be used. Square footage cost allocations must be calculated using the following procedure: (square footage should be the interior square footage).

1. Determine the number of square feet which is used exclusively by each program or State Agency, i.e., not shared in common.

2. Determine the number of square feet which is shared in common, i.e., lobby, restrooms, conference areas, etc.

3. Calculate an allocation ratio by dividing each exclusive square footage amount by the total site amount less the commonly shared amount.

4. Multiply each respective cost by the allocation ratios to determine the allocated dollar amount.

Example 1: Square Footage Allocation:

Step 1 - Exclusive square feet - Program A = 500 sq. ft. Exclusive square feet - Program B = 300 sq. ft.

Step 2 - Common Square Feet - 1,000 sq. ft. Total Site Square Feet - 1,800 sq. ft.

Step 3 - Program A = 500/(1,800-1,000) = .625 Program B = 300/(1,800-1,000) = .375

Appendix II (page 2 of 2)

Step 4 - Utility Expenses = $5,000
Program A Allocation = $5,000 X .625 = $3,125
Program B Allocation = $5,000 X .375 = $1,875

One reason why the square footage method might not accurately reflect the cost to be allocated to a State Agency/Program would occur when a program uses a significant amount of space, but not much space exclusively. In that case, units of service or staff FTEs might be a better choice as the basis for the allocation. In a case where the shared space is used at different times by different programs (daytime vs. evening, different days) the hours of use might better reflect the benefit to the program and the allocation of the costs.

To expand on the example above, assume program A uses the common area 3 days per week and program B uses the common area 2 days per week:

Step 1 - Exclusive square feet - Program A = 500 sq. ft. Exclusive square feet - Program B = 300 sq. ft.

Step 2 - Common Square Feet - 1,000 sq. ft. Total Site Square Feet - 1,800 sq. ft.

Step 3 - Program A= (500+ (3/5 *1000))/ 1,800 = .61111 Program B= (300+ (2/5* 1000))/ 1,800 = .38889

Step 4 - Utility Expenses = $5,000
Program A Allocation = $5,000 X .61111= $3,056
Program B Allocation = $5,000 X .38889 = $1,944

In regards to allocating telephone costs, please note that Appendix J contains a chart of recommended allocation methods and recommends that filers allocate telephone costs based on the number of lines. In regards to office furniture, if the furniture in question was located in common space, where it would be available to all staff and visitors, the corresponding expenses should be allocated following the same method used to allocate the other expenses associated with the common space (rent, depreciation, insurance, utilities, etc.). If the furniture in question was used solely by specific staff, the corresponding expenses should be allocated in line with how the associated staffs' salaries were allocated.

Thank you

Djahida Benantar
Accountant Trainee
e-mail: Djahida.Benantar@nysed.gov
Phone: 518-474-0233
Fax: 518-486-3606
NYSED
Rate Setting Unit
89 Washington Av, Rm 302 EB
Albany, NY 12234
website: http://www.oms.nysed.gov/rsu/home.html

From: Djahida Benantar
Sent: Tuesday, April 9, 2019 2:04 PM
To: James Kampf <James.Kampf@nysed.gov>
Subject: FW: square footage method

Appendix B – SED's Comments

1. Section 200.9 (d) of the Commissioner's Regulations outlines the accounting requirements for approved programs such as Advanced Therapy, and requires that approved programs 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. Furthermore, Section III(1) of the Reimbursable Cost Manual (RCM) states that costs will not be reimbursable on field audit without appropriate written documentation of costs. We determined Advanced Therapy did not maintain appropriate written documentation to support the majority of the preschool special education costs they reported and sought for reimbursement.

2. We did not disallow the salaries for the Executive Director and receptionist based on the CFR's calculated allocation method, but rather the lack of properly documented time and attendance records. Section III(1)(A) in the RCM states, "Compensation costs must be based on approved, documented payrolls. Payroll must be supported by employee time records prepared during, not after, the time period for which the employee was paid. Employee time sheets must be signed by the employee and a supervisor, and must be completed at least monthly." Advanced Therapy did not maintain time sheets which were signed by the employee and a supervisor to support its payrolls.

3. The employee trackers supplied by Advanced Therapy lacked the employee's signature, as well as signed approval by the employee's supervisor in accordance with the payroll recordkeeping requirements in the RCM under Section III(1)(A). The form did not require the employee to list the start time, end time, number of hours worked for the day or indicate the program on which the employee worked (e.g. 9135, 9160). This made it impossible to determine if the employee was being paid for the accurate number of hours on the payroll.

4. As stated in comment 2, we did not disallow the salaries for the Executive Director and receptionist based on the CFR's calculated allocation method, but rather the lack of properly documented time and attendance records as required by Section III(1)(A) of the RCM.

5. As stated in comment 1, costs reported on the CFR must comply fully with the guidelines in the RCM regarding the eligibility of costs <u>and</u> documentation requirements. We determined inadequate records were maintained to support preschool special education service expenditures.

   The documentation Advanced Therapy stated they provided the auditors was not provided until after the closing conference on June 26, 2019 when we presented our findings to Advanced Therapy. We received the additional documents (marked as Appendix 2-8 in Advanced Therapy's response) on August 9, 2019 which was

nearly 11 months after the audit began. As a courtesy, we reviewed the additional documents, but the documents were not adequate substitutes for the documented time and attendance records required by the RCM. The documents were not in chronological order, not signed by both the employee and their supervisor and included records for services which were outside the scope of the audit.

6. The RCM describes specific accounting and record-keeping requirements to which all CFR filers must adhere. According to the RCM, expenditures that cannot be charged directly to a specific program must be allocated across all programs and/or entities that benefit from these expenditures. The RCM requires special education providers to maintain documentation evidencing the methodologies used to allocate costs to the various programs they operate. The RCM also requires that the methodology used to allocate expenses be fair and reasonable.

   We reviewed the methodology Advanced Therapy used to allocate costs for the fiscal year ended June 30, 2015 and found Advanced Therapy does not have a reasonable or appropriately documented methodology.